

STATE OF MARYLAND

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2008



STATE OF MARYLAND
Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2008

EXECUTIVE

Martin O' Malley
Governor

Anthony G. Brown
Lieutenant Governor

Peter Franchot
Comptroller

Douglas F. Gansler
Attorney General

Nancy K. Kopp
Treasurer

JUDICIAL

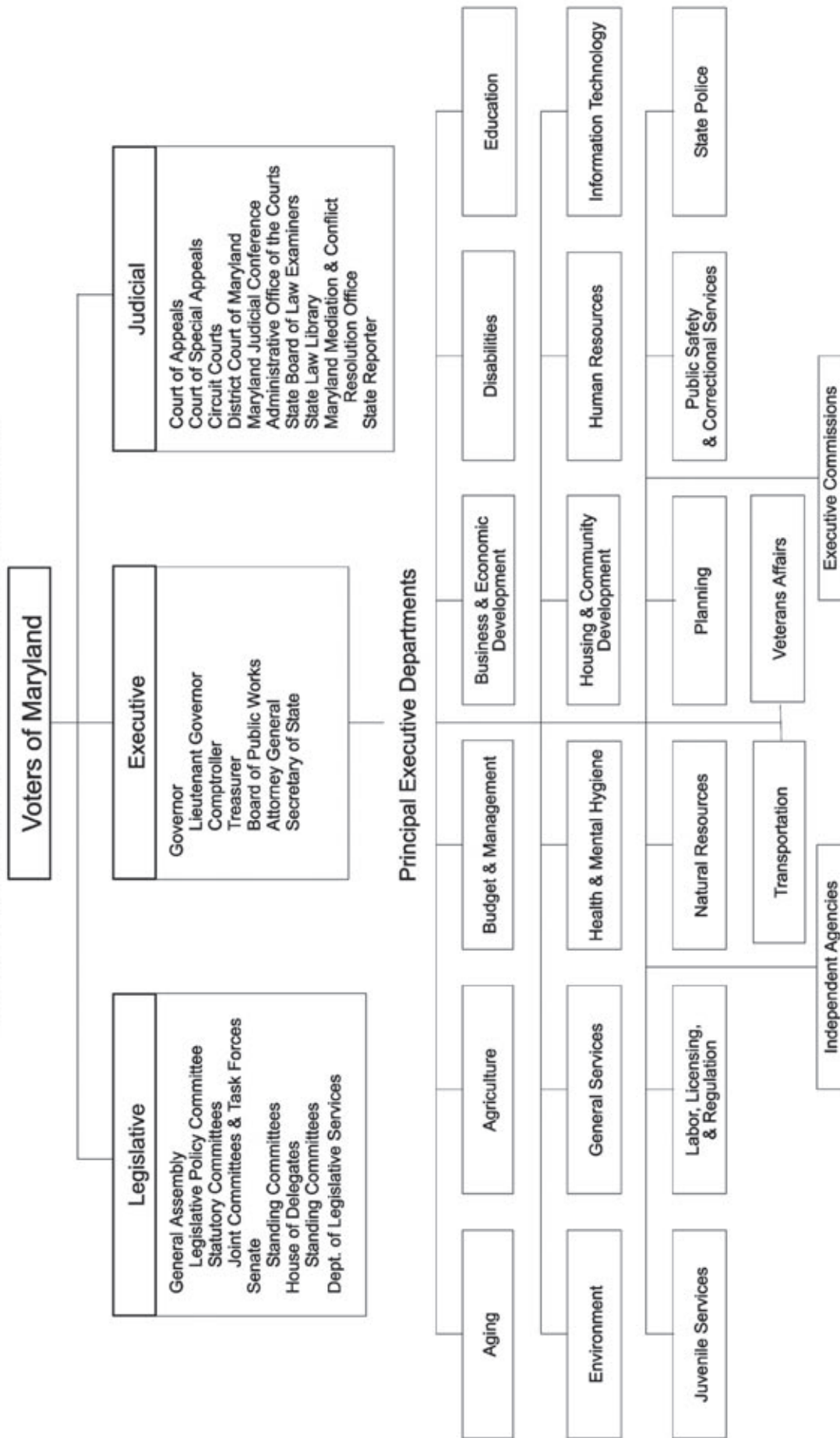
Robert M. Bell
Chief Judge
Court of Appeals of Maryland

LEGISLATIVE

Thomas V. Miller, Jr.
President of the Senate

Michael E. Busch
Speaker of the House of Delegates

OVERVIEW OF MARYLAND STATE GOVERNMENT





Over the past year, Maryland families have increasingly felt the effects of a perfect economic storm that was years in the making. As a result, we as elected officials have had to make tough decisions to balance the budget and tighten the state's belt in this period of a national economic slowdown. However, despite the rough seas we are currently experiencing, I, as Comptroller, have sought

to do everything within the agency's purview to right the state's fiscal ship for years to come.

We have accomplished this through several new initiatives that build upon the existing assets of Maryland's economy including – an educated workforce, a record of fiscal stewardship as seen through the state's AAA bond rating, and a number of unique federal partnerships. These advances recognize that the state's strength in the knowledge-based economy lies in expanding opportunities for all Maryland taxpayers to grow and thrive as they go about their daily business.

In acknowledging the realities of this new economy as well as honoring the agency's tradition of 'Serving the People,' we have in the last 12 months:

- Enhanced the agency's technological capabilities to deter unlawful and individual businesses from avoiding payment of state taxes
- Made substantial strides in improving customer services and making the process of paying taxes easier, safer and faster
- Expanded the pool of opportunity for qualified minority and women entrepreneurs to do business with the state of Maryland, expanding our tax base and increasing our brain capital in the new knowledge-based economy
- Continued to promote Maryland's burgeoning life sciences sector for its benefits as a sustainable and viable long-term economic development strategy

Maryland is fortunate to have a dynamic and diverse economy which is on the national forefront for innovation. Because of this, our state is able to expand its tax base and maintain an overall high quality of life – even in tough economic times. As Comptroller, I will always look for ways to improve the agency's services so we can weather this storm and create a stronger, more prosperous Maryland for future generations.

Comptroller Peter Franchot

Comptroller of Maryland

Peter Franchot

Comptroller

Linda L. Tanton

Deputy Comptroller

Len Foxwell

Deputy Comptroller

David Weaver

Chief of Staff

Jerome Klasmeier

Assistant Comptroller

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Joseph Shapiro, Director

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Steven D. Serra, Director

Office of Personnel Services

Robert J. Murphy, Director

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James T. Loftus, Director

Compliance Division

John T. Salmon, Director

Information Technology Division

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Field Enforcement Division

James M. Arnie, Director

Revenue Administration Division

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ENSURING TAX FAIRNESS



As Comptroller, it is my job to be a good steward of taxpayer money. As such, my office has aggressively pursued those individuals and corporations who cheat the state out of tax revenue needed to provide essential services to our citizens.

During the 2008 session of the General Assembly, I worked with Governor O'Malley and our legislative leaders to support one of the most comprehensive tax compliance initiatives of recent years. Through the Tax Fairness Initiative, the agency is now bringing our current tax collection technology into the 21st century, and making it harder for tax evaders to undermine the state's financing system.

Over the next four years, the Tax Fairness Initiative will generate \$200 million in revenue, and once fully in place it will bring in upwards of \$100 million annually! This is revenue that is currently owed the state, but is being sheltered or otherwise not being paid, a situation which hurts all Maryland citizens because of the fundamental lack of fairness and the stress it puts on the state's finances.

During the last several months, the agency has also scored key victories in cracking down on corporate tax avoidance schemes such as Delaware Holding Companies. In one

such case, the Maryland Tax Court found Classics Chicago, Inc., a subsidiary of the well know retailer, Talbots, Inc., to be liable for corporate income tax for 11 years, from 1993 to 2003. As a result, Classics was ordered to pay the state nearly \$1.1 million in back taxes along with interest and 10 percent in penalties.

In addition, the Comptroller's Office is now auditing corporations trying to avoid paying taxes by using "captive" Real Estate Investment Trusts (REIT) to place their holdings and take unauthorized deductions. Through these efforts, two major corporations were ordered to pay the state nearly \$12 million in back taxes this past October, including a \$10.8 million payment which was the first case of a tax liability being settled in a "captive" REIT case.

While the vast majority of Maryland businesses play by the rules, this agency has vigorously pursued those few large corporations which seek to gain an unfair competitive advantage by flouting the state's tax laws. These new resources will allow us to be even more aggressive in creating a level playing field and ensuring that the state receives all revenue it is lawfully owed.

IMPROVING CUSTOMER SERVICES



Over the past year, the Comptroller's Office has continued to make substantial strides in improving its customer services and making the process of paying taxes easier and faster. While there is always room for improvement, I am proud of the new online innovations the agency has made available in recent months.

By simply going to www.marylandtaxes.com, taxpayers can find tools to help navigate the confusion that sometimes arises during the tax filing season. On the agency's Web site, there are now ways to:

- Eliminate personal tax liabilities through the click of a mouse with Bill Pay.
- Establish a direct debit payment agreement
- Submit hearing appeal requests to fit around an individual's busy schedule.

I also encourage taxpayers who have not already done so to consider electronically filing their individual state tax return this upcoming season through the agency's

iFile program. By selecting the icon on the top of our Web site, iFile offers step-by-step assistance in completing your Maryland income tax return for FREE. It will also allow individuals to receive a refund in a few days should they choose the direct deposit option.

Most importantly, filing electronically with iFile helps save the state money, which is particularly valuable as we continue to address a lingering structural deficit in trying economic times. Since electronic filing was established in the early 1990s, more than \$14 million has been returned to state coffers through processing savings.

Innovations such as these are part of a long-standing tradition of excellence established by the 1,100 employees of this agency. As families across Maryland are tightening their belts in these tough economic times, I am proud my agency continues to lead by example through the pursuit of time and money-saving innovations to help taxpayers in going about the daily business of building our state's economy.



EXPANDING OPPORTUNITIES FOR MINORITY BUSINESSES



From the time I took office, I have fought for a renewed commitment to our state's Minority Business Enterprise (MBE) program. Our state's MBE program is about creating opportunities for the next generation of entrepreneurs, and I believe that is the right thing to do. More importantly, I believe that it just makes good business sense.

By expanding the pool of qualified and certified state contractors, Maryland will increase market competition that will ultimately result in cost savings for taxpayers. It also provides good, innovative entrepreneurs with the "seed capital" to grow their businesses, which means greater profits, new jobs and reinvestment in our communities.


Working with allies on the Board of Public Works, I have held state agencies and private contractors alike accountable for their success in meeting minority participation goals. In many cases, we held contracts up until they were in compliance with state goals. In other cases – as in a truly unique partnership that we have established with

Microsoft – we have worked with the private sector to learn why minority and women-owned firms are underrepresented in certain private industries, and whether remedies exist.

As the vice-chair of the State Retirement and Pension System, I also have worked to provide qualified minority fund managers with greater opportunities to manage state pension assets. Through these efforts, the state is enjoying positive results as 80% of the firms it has invested in have yielded a positive return.

As the nation's economy changes, our state has to wake up to the realization that minority entrepreneurs have adapted as well and run businesses of all kinds. Through these collective efforts, Maryland has sought to honor the basic value of equal opportunity for individuals who work hard and play by the rules to succeed and contribute to our quality of life. These actions will further harness the underlying strength of our state's economy: the brain capital, ingenuity and work ethic of Marylanders.

PROMOTING AND INVESTING IN THE LIFE SCIENCES



Maryland's dynamic and diverse economy is at the forefront of the increasingly knowledge-based global economy. Due to the state's educated workforce, long record of fiscal stewardship and number of unique federal partnerships, Maryland has been able to foster a climate of innovation and ingenuity through the life sciences industry, which has resulted in amazing strides towards securing its long-term economic future.

As a result, Marylanders are fortunate to enjoy a relatively high overall quality of life – even in tough economic times. However, as other states increase their own investment into more research and development, so too must Maryland. That is why, as the state's chief financial officer, I have called for a redoubling of support for the life sciences.

Last winter, my office hosted a Life Sciences Summit which brought together leading members of Maryland's research, business, academic, investor and scientific communities to discuss the economic contributions of both private bioscience enterprises and institutional employees directly engaged in research and development activities. The event featured release of the Maryland Life Science Economic Impact Study which showed, beyond a reasonable doubt, that our state is the national leader in the life sciences. The report highlighted the vast economic benefits the

industry brings to the state, including:

- \$29 billion in economic output
- 120,000 total jobs
- \$11 billion in income and nearly \$600 million in state government taxes annually

In seeking to further harness the tremendous growth potential of this burgeoning sector, I have also advocated for a reallocation of state pension fund assets, totaling up to \$1 billion, into the life science industry. As vice-chair of the State Retirement and Pension System, I believe that a substantial commitment of pension fund resources to this dynamic and fast-growing sector is a sound investment in our future, one which fulfills our fiduciary responsibilities and strengthens Maryland's economy.

These initiatives recognize that our state's strength lies in its standing as a national leader in the knowledge-based economy. The life sciences industry is one of Maryland's most powerful economic engines -- an indispensable source of good-paying jobs, tax revenue, brain power and market innovation. As Comptroller, I will continue to fight for comprehensive, robust state investment in this industry, as the possibilities for future successes are limitless.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

State of Maryland

COMPREHENSIVE ANNUAL FINANCIAL REPORT *for the fiscal year ended June 30, 2008*

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STATE OF MARYLAND
Comprehensive Annual Financial Report

INTRODUCTORY SECTION



Peter Franchot
Comptroller

Honorable Members of the General
Assembly and the Governor,
State of Maryland

December 12, 2008

The Comprehensive Annual Financial Report (CAFR) of the State of Maryland (State), for the fiscal year ended June 30, 2008, includes the financial statements of the State as well as information required by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the Comptroller.

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller of Maryland's records, by the Legislative Auditor at least every three years. The Legislative Auditor is required to be and is a certified public accountant. The Legislative Auditor makes fiscal, compliance and performance audits of the various agencies and departments of the State and issues a separate report covering each of those audits. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

Additionally, my office requires an audit of the State's basic financial statements by a firm of independent auditors selected by an audit selection committee composed of members from the Executive and Legislative branches of State government. This requirement has been complied with, and the opinion of Abrams, Foster, Nole & Williams, P.A., has been included in the financial section of this report. In addition, Abrams, Foster, Nole & Williams, P.A. performed an audit to meet the requirements of the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and such information is contained in another reporting package.

The State has issued guidelines to its agencies for establishing effective internal controls. As a recipient of Federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This compliance is accomplished through the internal control guidelines.

The accompanying financial statements include all funds of the State (primary government), as well as all component units. Component units are legally separate entities for which the primary government is financially accountable. The various colleges and universities, the College Savings Plans of Maryland, and the Maryland Stadium Authority are reported as major component units. The Maryland Environmental Service, the Maryland Industrial Development Financing Authority, the Maryland Food Center Authority and the Maryland Technology Development Corporation are combined and presented as non-major component units.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent public accountants.

Background Information on the State:

Maryland ratified the United States Constitution on April 28, 1788. Its capital is Annapolis, where the principal activities of state government are centered. Its employment is based largely in services, trade and government. These sectors, along with

finance, insurance and real estate are the largest contributors to the gross state product. The State has a bicameral legislature, the General Assembly, composed of the Senate with 47 members and the House of Delegates with 141 members. The General Assembly meets annually for a 90-day session beginning on the second Wednesday in January.

The Maryland Constitution requires the Governor to submit to the General Assembly a balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally mandated budgetary fund structure. Each State agency is provided appropriations at a program level, which is the level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations. Maryland maintains its accounts to conform with the legally mandated budget and also to comply with generally accepted accounting principles. Financial control is generally exercised under the budgetary system.

There is a Spending Affordability Committee which consists of certain designated officers of the General Assembly and other members as may be appointed by the President of the Senate and the Speaker of the House of Delegates. Each year the Committee must submit a report to the General Assembly's Legislative Policy Committee and to the Governor recommending the level of State spending, the level of new debt authorization, the level of State personnel and the use of any anticipated surplus funds.

Also, the General Assembly created a Capital Debt Affordability Committee, the members of which are the Treasurer, the Comptroller, the Secretary of Budget and Management, the Secretary of Transportation, and one person appointed by the Governor. This Committee is required to submit to the Governor by September 10 of each year an estimate of the maximum amount of new general obligation debt that prudently may be authorized. The Committee's recent reports encompass all tax supported debt, including in addition to general obligation debt, bonds issued by the Department of Transportation, bonds issued by the Maryland Stadium Authority and capital lease transactions. Although the Committee's responsibilities are advisory only, the Governor is required to give due consideration to the Committee's finding in preparing a preliminary allocation of new general obligation debt authorizations for the next ensuing fiscal year.

Information on the State's Economic Condition:

Economic growth in Maryland has all but ground to a halt, largely as a result of the sustained downturn in the housing market. Broad national trends, including the credit crunch, low consumer confidence and falling consumer spending, will bring Maryland's economy into recession imminently, if it is not there already. Even without the past few months of turmoil in the financial markets, a recession in the State would have been very likely. Fallout from the housing bubble burst has slowed the State's economy, and will continue to do so for some time.

Maryland's economy appears to have been stagnant throughout 2008, after a relatively weak 2007. While monthly survey data from the Bureau of Labor Statistics indicates job growth of around 1% every month of this year, an acceleration over 2007's growth of 0.8%, other indicators suggest growth has been substantially slower. Data from unemployment insurance records, nearly a census of employment in the State, show growth of about 0.33% for the first quarter of the year. Initial claims for unemployment insurance have increased at 20% or more (year-over-year) every week but three since the beginning of March, and nearly doubled in the last week of October. Individual income tax withholding, which is a timely economic indicator (albeit not without some problems), has been sluggish throughout the year.

Even the stronger payroll survey data show substantial acceleration in 2008 for only several industries—professional and business services, leisure and hospitality services, and the federal government. But a comparison of first quarter data with the unemployment insurance records shows the survey data likely overstates growth for all industries save two—state and local government and the federal government. Three industries are unambiguously declining, though none are a surprise. Manufacturing, construction, and finance and real estate services all declined by about 2% or more in the first quarter, according to the unemployment insurance data. Particularly given the events of late summer through early October, there is no reason to expect that performance of these particular industries has improved since the first quarter.

On a year-over-year basis, sales of existing homes have fallen every month since October of 2005—36 of 37 months. And the one exception may be foreclosure-related sales. Growth in the median sales price has generally decelerated for even longer, since early 2005, and prices have declined every month since August 2007. The inventory to sales ratio currently stands at 13.9, up strongly from 1.6 just a little over three years ago. All indications are that the Maryland housing market has further to fall. Until the market reaches bottom, housing-related industries – construction, finance and real estate, among others –are unlikely to see a resumption of consistent growth.

Consumer spending also is unlikely to see a resumption of growth until the housing market reaches bottom, if not later. Just as the run-up in housing prices provided support for consumer spending through the wealth effect (as well as through the simple extraction of equity), falling housing prices will reverse the effect. And that impact will be exacerbated by the 40% decline in stock prices. Estimates of the negative wealth effect are around 5% over two years, that is, for every dollar of wealth lost, spending falls by five cents over the next two years. All segments of the economy dependent on consumer spending, including retail, transportation, and leisure services and, more broadly, manufacturing and government, are thus in store for an extended period of difficulty. While tightened lending standards and the weakening labor market are also putting pressure on consumer spending, the recovery of the housing market is crucial to a resumption of consumer spending in the State.

The recent collapse of several large financial firms and recent bank consolidations will have a direct impact on Maryland's economy, although nowhere near the extent of New York, Charlotte, and several other locations. But the related impact on credit –almost two-thirds of banks nationally are tightening business lending standards – will result in a slowing or stoppage of business investment. Credit has become more difficult to obtain at the same time profits have fallen, largely as a result of the slowdown in consumer spending, and business confidence has collapsed. In addition, the availability of commercial paper to small and mid-sized businesses may still precipitate leaner business spending and even bankruptcy.

The lack of credit will cause the construction industry to continue to contract as commercial and industrial projects are scaled back, delayed or cancelled. Professional and business services, an integral industry in Maryland's economy, will also experience substantially slower growth. Those firms closely aligned with financial services will be the hardest hit. As businesses cut expenses, slowing business travel will likely affect Maryland more than many other areas. Leisure and hospitality services, a sector with above average growth since the last recession, will experience a sharp deceleration in growth if not an outright decline in 2009. Those located near BWI Thurgood Marshall Airport and the Washington D.C. suburbs are most at risk.

With the United States economy now not expected to recover until midway through 2009, and risks decidedly on the downside, prospects for the State are bleak. While some states that also had exuberant housing markets may have neared the market trough, and thus may be expected to recover concurrently with the national economy, Maryland's housing market has yet to hit bottom. As a result of that and other factors, the State's economy is unlikely to resume growth until early 2010 at the soonest.

Major Budgetary Initiatives:

Because of reductions in revenue estimates, the State reduced projected total spending for fiscal year 2009, and the general fund budget grew by only 3.7%. The State continues to save for the future and maintained a projected \$739 million fund balance in its "Rainy Day Fund" for fiscal year 2009. In addition, priorities for public education, workforce creation, public safety, the environment and open space, and the quality of life for Maryland's citizens were protected.

The State continued its record funding for education, both for public school and higher education. Increased funding was provided for public schools and public school construction. The tuition freeze for in-state undergraduates was maintained, and capital funding for public four year institutions and community colleges was increased.

Budgetary initiatives for public safety include improved correctional facilities, enhanced offender monitoring, strengthening Juvenile Services, new State police helicopters and improved health services to veterans.

In addition, the State provided increases for healthcare initiatives, stem cell research, and community based care. Also, funding was continued for land preservation programs, restoration of the Chesapeake Bay, Maryland State Parks and energy assistance.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Maryland has received a Certificate of Achievement for the last 27 consecutive years (fiscal years ended 1980-2007). We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the General Accounting Division with assistance from other personnel from the various departments and agencies of the State.

I will be pleased to furnish additional information on the State's finances upon request.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Franchot". The signature is fluid and cursive, with a long horizontal stroke at the end.

Peter Franchot,
Comptroller of Maryland





STATE OF MARYLAND
Comprehensive Annual Financial Report

FINANCIAL SECTION

Abrams, Foster, Nole & Williams, P.A.

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and Maryland Association of Certified Public Accountants

December 12, 2008

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Peter Franchot
Comptroller of Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maryland (the State), as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements, schedules and supplementary information are the responsibility of the State's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of (1) certain Economic Development- Loan Programs; (2) Unemployment Insurance Program; (3) Maryland State Lottery Agency; (4) Maryland Transportation Authority; (5) Economic Development Insurance Programs; (6) certain foundations included in the higher education component unit; (7) Maryland Environmental Service; (8) Maryland Food Center Authority; (9) Maryland Technology Development Corporation; (10) Investment Trust Fund; and (11) Deferred Compensation Plan, which represent the percentages of the assets, net assets, and operating revenues or additions of the opinion listed below.

	Percentage of Opinion Unit		
	Total Assets	Total Net Assets	Total Operating Revenues
Business-Type Activities			
Economic Development - Loan Programs	47.39 %	36.51 %	7.66 %
Unemployment Insurance Program	9.94	19.65	13.29
Maryland State Lottery Agency	2.34	0.54	56.84
Maryland Transportation Authority	37.55	37.01	12.42
Economic Development Insurance Programs	0.99	1.82	0.07
Total percentage of business-type activities	<u>98.21</u>	<u>95.53</u>	<u>90.28</u>
Component Units			
Major -			
Higher Education Foundations	15.61	17.88	3.79
Non-Major -			
Maryland Environmental Service	0.95	0.26	3.74
Maryland Food Center Authority	0.29	0.42	0.12
Maryland Technology Development Corporation	0.33	0.09	0.88
Total percentage of component units	<u>17.18</u>	<u>18.65</u>	<u>8.53</u>
Fiduciary Funds			
Investment Trust Fund	4.75	5.42	72.87
Deferred Compensation Plan	5.30	6.06	4.71
Total percentage of fiduciary funds	<u>10.05</u>	<u>11.48</u>	<u>77.58</u>

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, required supplemental schedules of funding progress for the Pension and Retirement System and the Maryland Transit Administration Pension Plan, and the respective budgetary comparison for the budgetary general, special and Federal funds as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements, schedules, introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report and the financial schedules required by law have not been subjected to the auditing procedures applied by us or the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Thang, Foster, Hale & Williams, P.A.

STATE OF MARYLAND

Management's Discussion and Analysis

Management of the State of Maryland provides this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2008. Please read it in conjunction with the Comptroller's letter of transmittal, which can be found in the Introductory Section of this report and the State's financial statements which follow this section.

Financial Highlights

Government-wide

- Maryland reported net assets of \$17.4 billion in fiscal year 2008 and \$18.5 billion in fiscal year 2007.
- Of the net assets in fiscal year 2008, a deficit balance of \$1.0 billion was reported as total unrestricted net assets, which includes a \$2.3 billion deficit balance in governmental activities and a \$1.3 billion balance in business-type activities.
- The State's total net assets decreased by \$1.1 billion as a result of this year's operations. The net assets for governmental activities decreased by \$1.3 billion (9.7%). Net assets of business-type activities increased by \$182 million (3.5%).
- The State's governmental activities had total expenses of \$26.8 billion, total revenues of \$25.0 billion and net transfers from business-type activities of \$478 million for a net decrease of \$1.3 billion.
- Business-type activities had total expenditures of \$2.3 billion, program revenues of \$3.0 billion, and transfers out of \$478 million for a net increase in net assets of \$182 million.
- Total State revenues were \$28.0 billion, while total costs for all programs were \$29.1 billion.

Fund Level

- Governmental funds reported a combined fund balance of \$3.3 billion, a decrease of \$618 million (15.8%) from the prior year.
- The General Fund reported an unreserved fund balance of \$1.5 billion and a reserved fund balance of \$1.4 billion, compared to an unreserved fund balance of \$885 million and a reserved fund balance of \$2.4 billion last year. This represents a net decrease of \$373 million in General Fund, fund balance. The total unreserved fund balance in the governmental funds was \$1.4 billion, compared to the unreserved fund balance of \$1.0 billion in the prior year.
- Governmental funds reported a total reserved fund balance of \$1.9 billion in 2008, compared to \$2.9 billion in the prior year. This decrease is primarily attributable to transfers from the State Reserve Fund used to help balance the General Fund budget during fiscal year 2008.

Long-term Debt

- Total bonds, obligations under long-term leases and other nontraditional Transportation debt at year end was \$13.0 billion, a net increase of \$1.4 billion (11.7%) over the prior year.
- \$780 million General Obligation Bonds and \$227 million Transportation Bonds were issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State of Maryland's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists readers in assessing the State's economic condition at the end of the fiscal year. The statements include all fiscal year revenues and expenses, regardless of whether cash has been received or paid. The government-wide financial statements include the following two statements.

The *Statement of Net Assets* presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncol-

lected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The above financial statements distinguish between the following three types of state programs or activities:

Governmental Activities - The activities in this section are typically supported by taxes and intergovernmental revenues, i.e., federal grants. Most services normally associated with State government fall into this category, including the Legislature, Judiciary and the general operations of the Executive Department.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include insurance and loan programs for economic development, the Unemployment Insurance Program, the Lottery, the Transportation Authority and Maryland Correctional Enterprises, a program which constructs office furnishings utilizing the prisons' inmate population.

Discretely Presented Component Units – The government-wide statements include operations for which the State has financial accountability, but are legally separate entities. Financial information for these component units is reported separately from the financial information presented for the primary government. The component unit activities include Higher Education, the College Savings Plans of Maryland, the Maryland Stadium Authority and other non-major proprietary activities. All of these entities operate similarly to private sector business and to the business-type activities described above. The component unit Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College and Baltimore City Community College and certain affiliated foundations. The non-major component units include the Maryland Food Center Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority and the Maryland Technology Development Corporation.

Complete financial statements of the individual component units can be obtained from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

This report includes two schedules (pages 27 and 29) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain tax revenues that are earned and other assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but are recognized on the government-wide statements.
- Deferred bond issuance costs are capitalized and amortized on the government-wide statements, but reported as expenditures in governmental funds.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and bonds and notes payable, only appear as liabilities in the government-wide statements.
- Capital outlays result in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other transactions represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The government-wide financial statements can be found on pages 22-25 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds can be divided into three categories: governmental, enterprise, and fiduciary. Each of these categories uses a different accounting approach.

Governmental funds – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial

statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the pages immediately following the governmental funds financial statements.

The State maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Department of Transportation-special revenue fund, both of which are considered to be major funds. Data from the remaining three governmental funds are combined into a single, aggregated presentation. Data for the non-major governmental funds, namely, the debt service fund for general obligation bonds, the debt service fund for transportation revenue bonds and the capital projects fund, is provided in the form of combining statements elsewhere in this report. These funds are reported using modified accrual accounting, which measures cash and all other assets which can be readily converted to cash. The basic governmental funds financial statements can be found on pages 26 and 28 of this report.

Enterprise funds – Enterprise funds are used to show activities that operate similar to activities of commercial enterprises. These funds charge fees for services provided to outside customers including local governments. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. There is no reconciliation needed between the government-wide financial statements for business-type activities and the enterprise fund financial statements because they both utilize accrual accounting, the same method used for businesses in the private sector.

The State has six enterprise funds, four of which are considered to be major enterprise funds. These funds are: Economic Development - Loan Programs, the Unemployment Insurance Program, the Lottery Agency and the Transportation Authority. Data for the non-major enterprise funds, Economic Development - Insurance Programs and Maryland Correctional Enterprises, are combined into a single aggregated presentation. Individual fund data for these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic enterprise funds financial statements can be found on pages 32-37 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are restricted in purpose and are not available to support the State's own programs. Fiduciary funds use accrual accounting.

The State's fiduciary funds include the Pension and Other Employee Benefits Trust Funds (Pension Trust), the Investment Trust Fund, the Postretirement Health Benefits Trust Fund (OPEB Trust) and Agency Funds. The Pension and Other Employee Benefits Trust Funds consist of the Retirement and Pension System, the Maryland Transit Administration Pension Plan and the Deferred Compensation Plan. The Postretirement Health Benefits Trust Fund accumulates funds to assist with the costs of the State's postretirement health insurance subsidy. The Investment Trust Fund accounts for the transactions, assets, liabilities and fund equity of an external investment pool. Agency funds account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals. Individual fund detail for the fiduciary funds can be found in the combining financial statements.

The basic fiduciary funds financial statements can be found on pages 38-39 of this report.

Combining Financial Statements, Component Units – The government-wide financial statements present information for the component units in a single aggregated column in the Statement of Net Assets and the Statement of Activities. Combining Statement of Net Assets and Combining Statement of Activities have been provided for the Component Unit Proprietary Funds and provide detail for each major proprietary component unit, with a combining column for the non-major component units. Individual financial statement information for the non-major component units is provided elsewhere in this report.

The combining financial statements for the component units can be found on pages 42-44 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 46-83 of this report.

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the budgetary general, special revenue and federal funds, along with a reconciliation of the statutory and Generally Accepted Accounting Principles (GAAP) General and Special Revenue Fund, fund balances at fiscal year end. This report also presents certain required supplementary information concerning the State's progress in funding obligations to provide pension benefits and other post-employment benefits and includes a footnote concerning budgeting and budgetary control. Required supplementary information immediately follows the notes to the financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements referred to earlier in connection with non-major governmental, enterprise, and fiduciary funds and non-major component units are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

The State's combined net assets (government and business-type activities) totaled \$17.4 billion at the end of 2008 and \$18.5 billion at the end of 2007.

Net Assets as of June 30, 2008

(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 6,348	\$13,600	\$ 8,569	\$7,576	\$14,917	\$21,176
Capital assets	18,812	18,181	2,428	1,865	21,240	20,046
Total assets	25,160	31,781	10,997	9,441	36,157	41,222
Long-term liabilities	9,478	8,218	5,027	3,910	14,505	12,128
Other liabilities	3,601	10,180	612	356	4,213	10,536
Total liabilities	13,079	18,398	5,639	4,266	18,718	22,664
Net assets:						
Invested in capital						
assets, net of related debt	14,267	13,853	1,685	1,614	15,952	15,467
Restricted	88	89	2,423	1,836	2,511	1,925
Unrestricted	(2,274)	(559)	1,250	1,725	(1,024)	1,166
Total net assets	\$12,081	\$13,383	\$ 5,358	\$5,175	\$17,439	\$18,558

The largest portion of the State's net assets, \$16.0 billion, reflects investment in capital assets such as land, buildings, equipment, and infrastructure, less any related debt to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens. Consequentially, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the State's net assets, \$2.5 billion, represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance for unrestricted net assets, a deficit of \$1.0 billion, reflects the State's expenses over revenues.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year.

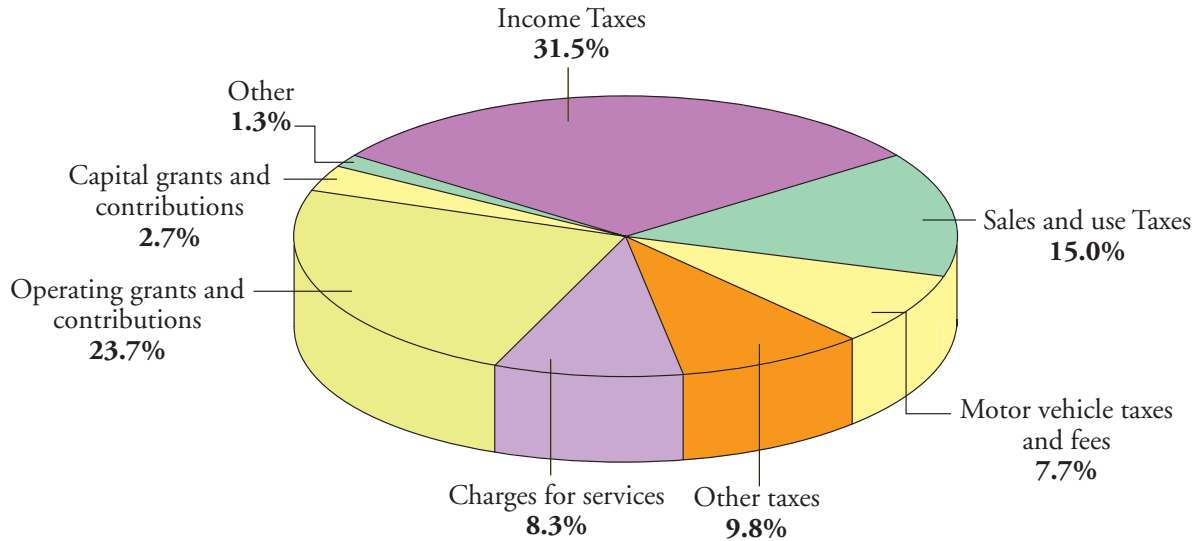
Changes in Net Assets

For the Year Ended June 30, 2008

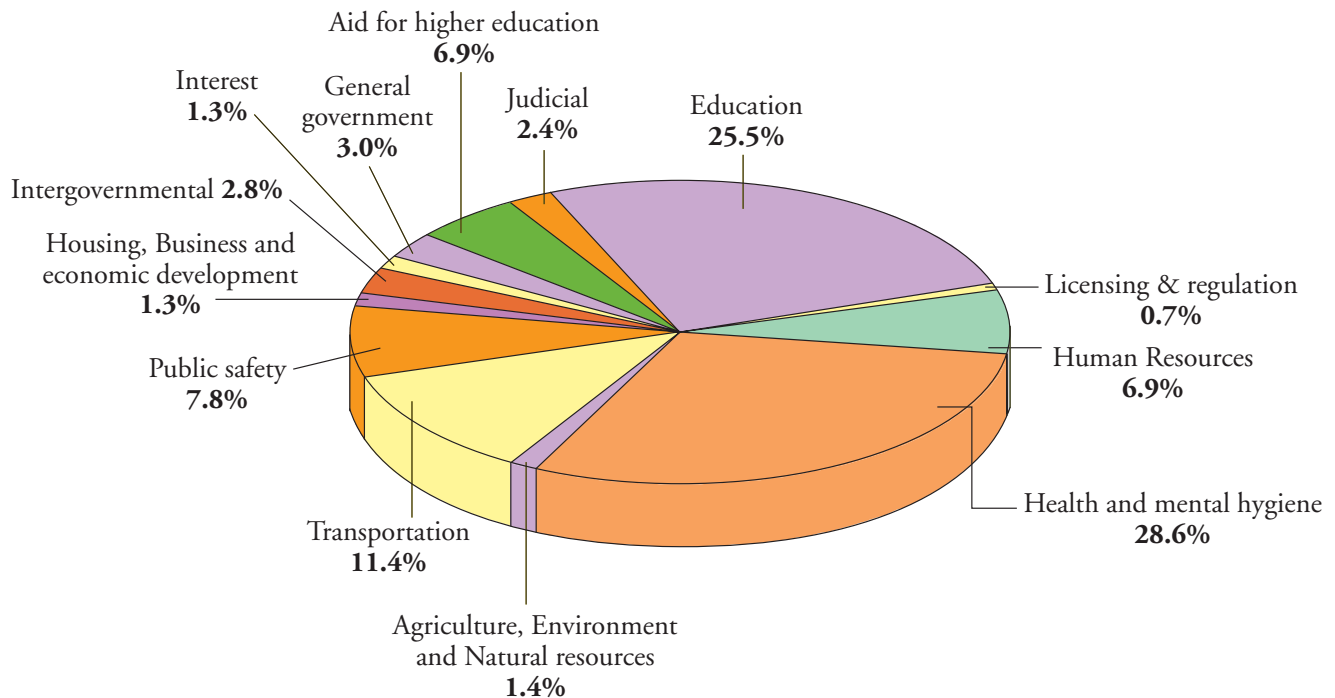
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 2,067	\$ 2,217	\$2,886	\$2,747	\$ 4,953	\$ 4,964
Operating grants and contributions	5,925	5,725	58	26	5,983	5,751
Capital grants and contributions	677	727		50	677	777
General revenues:						
Income taxes	7,886	7,334			7,886	7,334
Sales and use taxes	3,749	3,449			3,749	3,449
Motor vehicle taxes	1,920	1,982			1,920	1,982
Other taxes	2,445	2,244			2,445	2,244
Unrestricted investment earnings	345	350	26	31	371	381
Total revenues	25,014	24,028	2,970	2,854	27,984	26,882
Expenses:						
General government	815	713			815	713
Health and mental hygiene	7,649	7,400			7,649	7,400
Education	6,835	6,470			6,835	6,470
Aid for higher education	1,851	1,299			1,851	1,299
Human resources	1,860	1,647			1,860	1,647
Public safety	2,100	1,853			2,100	1,853
Transportation	3,054	2,913			3,054	2,913
Judicial	634	542			634	542
Labor, licensing and regulation	186	168			186	168
Natural resources and recreation	180	167			180	167
Housing and community development	248	229			248	229
Environment	108	93			108	93
Agriculture	82	59			82	59
Business and economic development	98	66			98	66
Intergovernmental grants	742	739			742	739
Interest	352	333			352	333
Economic development insurance programs			5	2	5	2
Economic development loan programs			254	249	254	249
Unemployment insurance program			544	446	544	446
State Lottery			1,133	1,094	1,133	1,094
Transportation Authority			326	368	326	368
Maryland Correctional Enterprises			47	46	47	46
Total expenses	26,794	24,691	2,309	2,205	29,103	26,896
Increase in net assets						
before transfers and special items	(1,780)	(663)	661	649	(1,119)	(14)
Transfers and special items	478	350	(478)	(350)		
Change in net assets	(1,302)	(313)	183	299	(1,119)	(14)
Net assets - beginning	13,383	13,696	5,175	4,876	18,558	18,572
Net assets - ending	\$12,081	\$13,383	\$5,358	\$5,175	\$17,439	\$18,558

Revenues by source — Governmental Activities



Expenditures by function — Governmental Activities



Governmental Activities

Comparing current year activities to the prior year discloses that revenues increased by \$986 million or 4.1%, while expenses increased by \$2.1 billion or 8.5%. The revenue increase was primarily due to an increase of \$552 million in income taxes, \$300 million in sales and use taxes, \$201 million in other taxes and \$200 million in operating grants. This increase was offset by a \$150 million decrease in charges for services, a \$50 million decrease in capital grants and a \$62 million decrease in motor fuel taxes. The increase in expenses was primarily due to \$696 million in the new charges for other post employment benefits for healthcare (OPEB), the costs of which have been allocated to the appropriate functions, and an additional increase of \$917 million in education.

The increase in tax revenues was primarily due to the increases in the tax rates passed during the special legislative session in October, 2007, which included increases in income, other and sales and use taxes. These increases were effective as of January 1, 2008. Accordingly, the increased revenue is reflective of only six months of the rate increase. Operating grants increased, primarily due to increased federal revenues for health and human resources. The increase in expenditures for education was primarily to fund the “Bridge to Excellence in Public Schools Act”, funding for which has been phased in over the last several years and to maintain the freeze on in state student higher education tuition costs.

Business-type Activities

Business-type activities increased the State’s net assets by \$661 million before transfers of \$478 million to governmental activities. This increase compares to an increase of \$649 million before transfers of \$350 million in the prior year. Key elements of this increase are as follows:

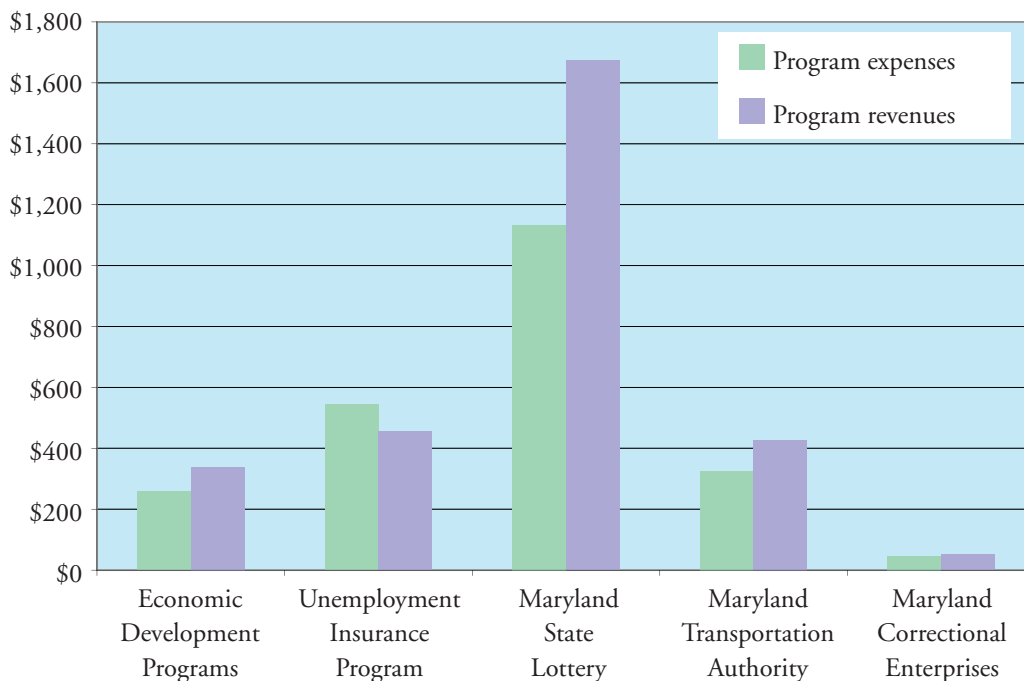
- The change in net assets for the Unemployment Insurance Program was a decrease of \$101 million compared to a net increase of \$23 million in the prior year. Operating activities produced a deficit of \$153 million compared to the prior year’s operating deficit of \$30 million. The Program had a decrease of \$24 million (5.9%) in charges for services from the prior year, due to a reduction in the minimum tax rate for the calendar year 2008, while benefit payments increased \$98 million (22.0%) over the prior year. In addition, the Program, in accordance with federal regulations, transferred \$11.4 million to the governmental funds due to an excess fund balance.
- Economic Development Loan Programs had an increase of \$128 million (6.3%) in net assets compared to an increase of \$172 million in the prior year. The difference between years is due to smaller increases in the housing loan programs and the water quality loan programs.
- Lottery ticket sales were \$1.7 billion, an increase of \$96 million (6.1%) over last year. Operating expenses increased by \$40 million and transfers to the governmental funds increased to \$529 million in 2008, from \$494 million in 2007.

Financial Analysis of the State’s Funds

As of the end of the current fiscal year, the State’s governmental funds reported a combined fund balance of \$3.3 billion, a decrease of \$618 million from the prior year. The combined fund balance includes \$856 million in unreserved, undesignated for governmental funds and \$538 million in unreserved, designated fund balance for the General Fund. In addition, it includes a deficit of \$29 million in unreserved, undesignated fund balance for the special revenue fund and a deficit of \$74 million for the other governmental funds. The remainder of the fund balance is reserved because it has been committed to: 1) liquidate contracts and purchase orders of the prior period, (\$629 million); 2) fund prepaid and inventory items, (\$517 million); 3) restrict revenues, (\$13 million); and 4) reserve for various loans, construction projects, and debt service, (\$28 million). In addition, \$720 million of the reserved fund balance is in the “State Reserve Fund,” and is set aside to meet future financial needs. By law, the governor must appropriate to the State Reserve Fund, the General Fund surplus of the second preceding fiscal year that exceeds \$10,000,000. The unreserved General Fund, fund balance, plus the amount in the State Reserve Fund, is approximately 8.1 % of the total annual expenditures in governmental funds, compared with 9.7% for the prior year.

Expenses and Program Revenues — Business-type Activities

(Expressed in millions)



General Fund

The General Fund is the major operating fund of the State. At the end of the current fiscal year, the (i.e., undesignated, \$959 million and designated \$538 million) fund balance of the General Fund was \$1.5 billion, while total fund balance reached \$2.9 billion. The fund balance of the State's General Fund decreased by \$373 million during 2008, compared to a decrease of \$274 million for 2007. The reason for the decrease in General Fund, fund balance is due to continued increases in expenditures, \$1.3 billion (6.6%), greater than increases in revenues, \$1.1 billion (5.7%).

Revenues increased by \$1.1 billion over the prior year, primarily due to increases in income taxes, \$544 million (7.4%), sales and use taxes, \$301 million (8.7%), and other taxes, \$129 million (7.7%). A special legislative session was convened in October 2007, that raised these various taxes, including income and sales taxes, effective January 1, 2008. Accordingly, the increased rates were effective for six months for the fiscal year ended June 30, 2008 and are reflected in the increased revenue.

General Fund expenditures increased by \$1.3 billion. Expenditures for education, health and mental hygiene and human resources increased by \$846 million (11.8%), \$285 million (3.9%) and \$118 million (7.2%), respectively. These increases were the result of continued increased funding for education, continued increases in Medicaid costs and increased funding for food stamps, temporary assistance and community grants.

Transfers out from the General Fund were \$441 million this year compared to \$533 million for the prior year. This decrease was due primarily to a decrease in transfers to the Department of Transportation and the Maryland Transportation Authority.

Special Revenue Fund

The Maryland Department of Transportation special revenue fund accounts for resources used for operation of the State's transportation activities, not including debt service and pension activities. The fund balance of the Department's special revenue fund was \$150 million as of June 30, 2008, a decrease of \$177 million (54.1%) from the prior fiscal year. This decrease was primarily due to an increase in expenditures of \$78 million and decrease in revenues of \$137 million. The increase in expenditures was for increased operating costs and revenues declined primarily from decreases in motor vehicle fuel taxes, federal reimbursements and charges for services.

Budgetary Highlights

General Fund

Differences between the original budget and final amended budget, and the final budget and actual expenditures for the year are summarized as follows. The budgetary schedule may be found in the Required Supplementary Information section.

Overall, the change between the original and final General Fund budget was a decrease of \$56.0 million or (0.4) %. Juvenile services' appropriations increased by \$35.4 million for juvenile residential facilities and increased costs of placements for committed youth. This increase was offset by various decreases. In the Department of Health and Mental Hygiene there was a decrease in appropriations of \$39 million, primarily for medical care services. In addition, there was a decrease in the Department of Budget and Management appropriations of \$59.5 million which was primarily due to the reallocation of the original appropriation for salary cost of living adjustments from that department to the affected State agencies, with no effect on the overall appropriations.

The difference between the final budget, \$14.7 billion and actual expenditures, \$14.5 billion, was \$245.6 million or 1.7%. Of this amount, \$95.9 million was returned to the General Fund, and the remaining \$179.7 million was encumbered for future spending. The variance within the Department of Housing and Community Development was primarily due to encumbrances for capital items for neighborhood revitalization and housing programs. The Department of Business and Economic Development's variance was due to encumbered funds for tourism related projects and the Maryland Stem Cell Research Program. Legislative differences were the result of encumbrances for additions and improvements to buildings and information technology equipment. The variance in executive and administrative control was due to encumbrances for the Aging of Public Schools Program. The variance for the Department of Environment was primarily due to encumbrances for delayed projects and the Drinking Water Revolving Loan Fund program.

Special Revenue Fund:

Overall, the change between the original and final special revenue fund budget was an increase of \$112.0 million or (1.8) %. The increase was primarily to provide additional funds for the heritage tax program, energy assistance and information technology projects for public safety. The difference between the final budget, \$6.3 million and actual expenditures, \$5.4 million, was \$.9 million or 14.1%. The variance was primarily due to reduced appropriations in the Maryland Insurance Administration and the Department of Transportation and encumbrances for the Maryland Agricultural Land Program, capital loan and financing programs and capital projects such as water quality systems, drinking water systems and landfill projects.

Capital Asset and Debt Administration

Capital assets

At June 30, 2008, the State had invested \$21.2 billion (net of accumulated depreciation) in a broad range of capital assets (see table below). Depreciation expense for the fiscal year totaled \$979 million (\$942 million for governmental activities and \$37 million for business-type activities). The increase in the State's investment in capital assets, net of depreciation expense, for the current fiscal year was \$1.2 billion, (\$631 million for governmental activities and \$563 million for business-type activities).

Capital Assets as of June 30, 2008

(Net of Depreciation, Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and improvements	\$ 2,877	\$ 2,775	\$ 305	\$ 253	\$ 3,182	\$ 3,028
Art and historical treasures	28	28			28	28
Construction in progress	3,216	2,751	557		3,773	2,751
Structures and improvements	3,528	3,383	28	24	3,556	3,407
Equipment	806	802	12	11	818	813
Infrastructure	8,357	8,442	1,526	1,577	9,883	10,019
Total	\$ 18,812	\$18,181	\$ 2,428	\$ 1,865	\$ 21,240	\$20,046

Major capital asset events during the current fiscal year for governmental activities include continued construction at the Baltimore Washington International Thurgood Marshall Airport, widening and/or expansion of existing highways and bridges, the start of various transit, port and motor vehicle administration construction projects, the preservation of agricultural and open space land through the purchase of easements, the construction of a new school and family education center for the hearing impaired, improvements to the statewide telecommunications network, energy efficiency improvements in State buildings and building improvements in State prisons. Elements of the increases in capital assets of business-type activities include the Inter-County Connector and electronic toll lane projects, which resulted in increases in land and improvements and construction in progress, and the restoration of existing facilities such as the re-decking of the William Preston Lane Jr. Memorial Bridge.

Additional information on the State's capital assets can be found in footnote 10 of this report.

Long-term debt

The State is empowered by law to authorize, issue and sell general obligation bonds, which are backed by the full faith and credit of the State. The State also issues dedicated revenue bonds for the Department of Transportation and various business-type activities. The payment of principal and interest on revenue bonds comes solely from revenues received from the respective activities. This dedicated revenue debt is not backed by the State's full faith and credit.

At June 30, 2008, the State had outstanding bonds totaling \$11.8 billion. Of this amount \$5.5 billion were general obligation bonds, backed by the full faith and credit of the State. The remaining \$6.3 billion was secured solely by the specified revenue sources.

Outstanding Bond Debt as of June 30, 2008

(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds (backed by the State)	\$5,494	\$5,142			\$ 5,494	\$ 5,142
Transportation Bonds (backed by specific revenues)	1,269	1,111			1,269	1,111
Revenue Bonds (backed by specific revenues)			\$5,041	\$ 4,140	5,041	4,140
Total	\$6,763	\$6,253	\$5,041	\$ 4,140	\$11,804	\$10,393

The total increase in bonded debt in the current fiscal year was \$1.4 billion (\$352 million increase related to general obligation bonds, and \$158 and \$901 million increase related to transportation and revenue bonds, respectively). The State's general obligation bonds are rated Aaa by Moody's and AAA by Standard and Poors and Fitch. During fiscal year 2008, the State issued general obligation debt totaling \$780 million at a premium of \$42 million. On July 28, 2008, (fiscal year 2009), the State issued general obligation bonds aggregating \$415 million for capital improvements.

State law limits the amount of Consolidated Transportation Bonds, dedicated revenue debt that may be outstanding as of June 30 to the amount authorized in the budget, and this amount may not exceed \$2.6 billion. The aggregate principal amount of these bonds that was authorized to be outstanding as of June 30, 2008, was \$1.5 billion. The actual amount in Consolidated Transportation Bonds outstanding was \$1.3 billion.

Additional information on the State's long-term debt can be found in footnote 11 of this report.

Economic Factors and Next Year's Budget

The State's budget for fiscal year 2009 provides \$31.2 billion in appropriations for fiscal 2009, an increase of \$1.2 billion, 4.0%, over the current year. The special legislative session, which convened in October, 2007, passed increases in various taxes, including the personal and corporate income, sales and other taxes. This action along with spending reductions reduced the projected \$1.7 billion structural deficit by approximately \$1.4 billion. In addition, reductions adopted at the 2008 session largely offset downward revenue revisions that were received in March, 2008.

Maryland's economy has continued to slow along with the national economy. As with the national economy, signs of weakness are widespread, and there are few positive indicators. Sales of existing homes have declined for 36 of the 37 last months, prices have dropped for 12 months and inventories are at a record high. Business bankruptcies have doubled over last year, and personal bankruptcies have increased by 36%. The little good news is that two of Maryland's largest and highest paying industries, professional and business services and education and health services, are performing relatively well, and government employment continues to grow. However, predictions of future economic revenues continue to be revised downward.

In September, 2008, revised revenue estimates were provided that further reduced estimated General Fund revenues by \$431.9 million. Write downs to the sales tax and individual income tax are primarily responsible for the changes. Based on continued revised revenue forecasts, the State adopted budgetary reductions of \$75.2 million on June 25 and \$347.8 million on October 15, 2008.

Requests for Information

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Accounting Division, Office of the Comptroller, P.O. Box 746, Annapolis, Maryland 21404.





STATE OF MARYLAND
Comprehensive Annual Financial Report

BASIC FINANCIAL STATEMENTS

STATE OF MARYLAND

Statement of Net Assets

June 30, 2008

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents.....	\$ 163,164	\$ 78,186	\$ 241,350	\$ 87,790
Equity in pooled invested cash.....	2,791,963	660,257	3,452,220	1,114,296
Investments	9,401	266,289	275,690	561,420
Endowment investments				241,669
Foundation investments				930,344
Inventories.....	99,463	16,566	116,029	11,658
Prepaid items.....	418,101		418,101	7,889
Deferred charges.....	11,266		11,266	5,089
Taxes receivable, net	1,049,004		1,049,004	
Intergovernmental receivables.....	892,254		892,254	
Tuition contracts receivable				216,459
Due from primary government.....				3,703
Due from component units	551		551	
Other accounts receivable	495,009	190,006	685,015	458,850
Loans and notes receivable, net.....	12,252	546,368	558,620	77,935
Investment in direct financing leases.....		442,476	442,476	265,767
Other assets	6,589	20,185	26,774	21,371
Collateral for lent securities	358,709		358,709	
Restricted assets:				
Cash and cash equivalents.....	34,228	1,928,522	1,962,750	69,608
Investments		1,337,862	1,337,862	102,455
Deferred charges		15,948	15,948	
Loans and notes receivable, net.....	5,653	3,032,809	3,038,462	
Other.....		33,345	33,345	27
Capital assets, net of accumulated depreciation:				
Land.....	2,877,333	305,062	3,182,395	149,576
Art and historical treasures.....	27,795		27,795	392
Structures and other improvements	3,528,560	27,344	3,555,904	3,160,508
Equipment	805,775	12,209	817,984	374,698
Infrastructure.....	8,356,757	1,526,122	9,882,879	143,060
Construction in progress.....	3,215,853	557,194	3,773,047	405,381
Total capital assets.....	18,812,073	2,427,931	21,240,004	4,233,615
Total assets	25,159,680	10,996,750	36,156,430	8,409,945

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Salaries payable.....	162,498		162,498	85,650
Vouchers payable.....	419,982		419,982	
Accounts payable and accrued liabilities	1,435,167	320,477	1,755,644	192,237
Internal balances.....	(30,554)	30,554		
Due to component units.....	3,703		3,703	
Due to primary government				551
Accounts payable to political subdivisions	269,899		269,899	
Unearned revenue.....	28,897	20,276	49,173	197,205
Matured bonds and interest coupons payable	158		158	
Accrued insurance on loan losses		8,407	8,407	5,370
Other liabilities.....				1,852
Collateral obligations for lent securities	358,709		358,709	
Bonds and notes payable:				
Due within one year	540,935	186,801	727,736	94,220
Due in more than one year	6,614,438	4,854,538	11,468,976	1,273,932
Other noncurrent liabilities:				
Due within one year	410,956	45,928	456,884	150,085
Due in more than one year	2,863,795	172,330	3,036,125	791,950
Total liabilities	13,078,583	5,639,311	18,717,894	2,793,052
Net Assets				
Invested in capital assets, net of related debt	14,267,201	1,685,176	15,952,377	3,238,123
Restricted for:				
Human resources.....	12,351		12,351	
Debt service.....	66,693	133,214	199,907	8,296
Capital improvements and deposits	2,768	96,994	99,762	20,379
Higher education-nonexpendable				647,202
Higher education-expendable				512,549
Unemployment compensation benefits		1,052,803	1,052,803	
Loan programs.....	5,653	1,035,596	1,041,249	74,431
Insurance programs.....		103,332	103,332	
Other.....	414		414	
Unrestricted (deficit)	(2,273,983)	1,250,324	(1,023,659)	1,115,913
Total net assets	\$12,081,097	\$5,357,439	\$17,438,536	\$5,616,893

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Activities
For the Year Ended June 30, 2008
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Primary Government		
			Grants and Contributions			Governmental Activities	Business-Type Activities	
Primary government - Governmental activities:								
General government	\$ 815,107	\$ 359,589	\$ 67,555	\$ 6,912	\$ (381,051)	\$ (381,051)		
Health and mental hygiene	7,648,495	458,706	3,314,389		(3,875,400)	(3,875,400)		
Education	6,834,608	67,106	912,908		(5,854,594)	(5,854,594)		
Aid for higher education	1,851,379	15,589	3,644		(1,832,146)	(1,832,146)		
Human resources	1,859,485	39,165	1,098,250		(722,070)	(722,070)		
Public safety	2,100,098	80,936	73,563		(1,945,599)	(1,945,599)		
Transportation	3,054,406	611,002	79,228	667,219	(1,696,957)	(1,696,957)		
Judicial.....	633,844	260,145	5,902		(367,797)	(367,797)		
Labor, licensing and regulation.....	186,470	40,034	111,676		(34,760)	(34,760)		
Natural resources and recreation	179,682	43,855	22,925	2,566	(110,336)	(110,336)		
Housing and community development	247,515	21,122	207,193		(19,200)	(19,200)		
Environment.....	108,273	34,491	21,079		(52,703)	(52,703)		
Agriculture	82,163	33,658	5,273	291	(42,941)	(42,941)		
Business and economic development.....	97,991	1,949	1,231		(94,811)	(94,811)		
Intergovernmental grants and revenue sharing	742,398				(742,398)	(742,398)		
Interest.....	351,952				(351,952)	(351,952)		
Total governmental activities	26,793,866	2,067,347	5,924,816	676,988	(18,124,715)	(18,124,715)		
Business-type activities:								
Economic development - insurance programs	4,759	7,588			\$ 2,829	2,829		
Economic development - general loan programs	21,548	4,511			(17,037)	(17,037)		
Economic development - water quality loan programs	42,409	83,019	44,205		84,815	84,815		
Economic development - housing loan programs	189,906	199,520			9,614	9,614		
Unemployment insurance program	544,109	440,848	13,430		(89,831)	(89,831)		

Maryland State Lottery	1,133,587	1,673,038		539,451	539,451
Maryland Transportation Authority	325,721	425,504		99,783	99,783
Maryland Correctional Enterprises.....	46,906	51,857		4,951	4,951
Total business-type activities	2,308,945	2,885,885	57,635	634,575	634,575
Total primary government	\$29,102,811	\$4,953,232	\$5,982,451	\$676,988	(18,124,715)
				634,575	(17,490,140)
Component units:					
Higher education	\$ 4,024,359	\$1,778,954	\$1,205,508	\$213,209	\$(826,688)
Maryland Prepaid College Trust	51,665	54,406			2,741
Maryland Stadium Authority	67,415	34,245	20,536		(12,634)
Other component units	168,018	134,834	29,977		(3,207)
Total component units	\$ 4,311,457	\$2,002,439	\$1,256,021	\$213,209	(839,788)
General revenues:					
Income taxes.....				7,885,639	7,885,639
Sales and use taxes				3,748,724	3,748,724
Motor vehicle taxes.....				1,920,460	1,920,460
Other taxes				2,444,883	2,444,883
Grants and contributions not restricted to specific programs					1,132,912
Unrestricted investment earnings				345,578	25,804
Additions to permanent endowments.....					371,382
Transfers.....				477,936	(477,936)
Total general revenues, additions to permanent endowments, and transfers				16,823,220	(452,132)
Changes in net assets.....				(1,301,495)	182,443
Net assets - beginning of the year				13,382,592	5,174,996
Net assets - end of the year				\$12,081,097	\$5,357,439
				\$17,438,536	\$5,616,893

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Balance Sheet
Governmental Funds
June 30, 2008
(Expressed in Thousands)

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 161,524	\$ 1,640		\$ 163,164
Cash and cash equivalents – restricted		26,004		26,004
Cash with fiscal agent – restricted.....			\$ 8,224	8,224
Equity in pooled invested cash	2,462,790	12,199	316,974	2,791,963
Investments.....	9,401			9,401
Prepaid items.....	343,531	74,570		418,101
Taxes receivable, net	951,242	82,432	15,329	1,049,003
Intergovernmental receivables.....	676,252	216,002		892,254
Other accounts receivable.....	418,036	76,566	407	495,009
Due from other funds	51,794	99,880	15,752	167,426
Due from component units.....	551			551
Inventories	25,005	74,458		99,463
Loans and notes receivable, net.....	3,778	3,760	4,714	12,252
Loans and notes receivable – restricted			5,653	5,653
Collateral for lent securities	358,709			358,709
Total assets	\$5,462,613	\$667,511	\$367,053	\$6,497,177
Liabilities:				
Salaries payable.....	\$144,966	\$17,532		\$ 162,498
Vouchers payable.....	300,745	49,991	\$ 69,246	419,982
Accounts payable and accrued liabilities	1,001,489	309,707	25,073	1,336,269
Due to other funds.....	119,126	17,746		136,872
Due to component units	3,703			3,703
Accounts payable to political subdivisions	187,619	75,517	6,763	269,899
Deferred revenue.....	363,481	46,767	69	410,317
Matured bonds and interest coupons payable			158	158
Accrued self-insurance costs.....	97,187			97,187
Collateral obligations for lent securities	358,709			358,709
Total liabilities	2,577,025	517,260	101,309	3,195,594
Fund balances:				
Reserved for:				
State reserve fund	720,298			720,298
Encumbrances.....	283,379	23,931	321,443	628,753
Prepaid items and inventories.....	368,306	149,028		517,334
Loans and notes receivable	3,445	3,760	9,955	17,160
Construction projects.....		2,768		2,768
Restricted revenues	12,764			12,764
Debt service			8,128	8,128
Unreserved:				
Designated	537,984			537,984
Undesignated (deficit), reported in:				
General fund	959,412			959,412
Special revenue fund.....		(29,236)		(29,236)
Non-major debt service funds			54,263	54,263
Non-major capital projects fund.....			(128,045)	(128,045)
Total fund balances	2,885,588	150,251	265,744	3,301,583
Total liabilities and fund balances	\$5,462,613	\$667,511	\$367,053	\$6,497,177

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND

Reconciliation of the Governmental Funds' Fund Balance to the Statement of Net Assets' Net Assets Balance

June 30, 2008

(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Assets (pages 22-23)
differ from the amounts for the governmental funds' fund balances because of:

Amount in governmental funds, fund balance (page 26)	\$ 3,301,583
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	18,812,073
Taxes and other receivables that will not be available to pay for current-period expenditures and, therefore, are deferred in the funds.....	381,420
Accrued interest payable on bonds and capital leases are not liquidated with current financial resources in the governmental funds.....	(128,698)
Deferred charges not available to pay for current period expenditures.....	11,266
Other assets not available to pay for current period expenditures.....	6,589
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
General Obligation Bonds.....	(5,493,830)
Deferred charges to be amortized over the life of the debt	40,603
Premiums to be amortized over the life of the debt.....	(353,291)
Transportation Bonds.....	(1,268,815)
Deferred charges to be amortized over the life of the debt	5,350
Premiums to be amortized over the life of the debt.....	(85,390)
Accrued self-insurance costs.....	(220,512)
Accrued annual leave.....	(276,372)
Pension liabilities.....	(800,015)
Other post-employment benefits liability	(695,921)
Other long term liabilities	(374,042)
Obligation under capital leases	(515,134)
Obligations under capital leases with component units	(265,767)
Net assets of governmental activities (page 23)	<u>\$12,081,097</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND

Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds, For the Year Ended June 30, 2008

(Expressed in Thousands)

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Income taxes	\$ 7,868,899			\$ 7,868,899
Sales and use taxes	3,748,933			3,748,933
Motor vehicle taxes and fees		\$1,920,460		1,920,460
Other taxes	1,816,652		\$ 628,231	2,444,883
Other licenses and fees	651,079			651,079
Charges for services	732,103	376,563		1,108,666
Revenues pledged as security for bonds.....		77,541		77,541
Interest and other investment income.....	296,636	3,736	7,031	307,403
Federal revenue.....	5,846,077	746,447	11,824	6,604,348
Other	188,575	25,666	514	214,755
Total revenues.....	21,148,954	3,150,413	647,600	24,946,967
Expenditures:				
Current:				
General government	727,119			727,119
Health and mental hygiene.....	7,536,747			7,536,747
Education.....	6,416,930		369,894	6,786,824
Aid to higher education.....	1,581,016		270,363	1,851,379
Human resources.....	1,761,284			1,761,284
Public safety	1,835,652			1,835,652
Transportation.....		1,262,973		1,262,973
Judicial	556,056			556,056
Labor, licensing and regulation	166,848			166,848
Natural resources and recreation.....	188,675			188,675
Housing and community development.....	244,581			244,581
Environment.....	95,918			95,918
Agriculture	147,494			147,494
Business and economic development.....	94,503			94,503
Intergovernmental grants and revenue sharing.....	408,208	855,336	334,190	1,597,734
Capital outlays		1,400,238	76,268	1,476,506
Debt service:				
Principal retirement.....			497,300	497,300
Interest			315,010	315,010
Bond issuance costs	450		2,219	2,669
Total expenditures	21,761,481	3,518,547	1,865,244	27,145,272
Deficiency of revenues under expenditures	(612,527)	(368,134)	(1,217,644)	(2,198,305)
Other financing sources (uses):				
Capital leases	31,185			31,185
Other long-term liabilities		102		102
Bonds issued		226,755	779,986	1,006,741
Bond premium.....		22,638	42,024	64,662
Transfers in.....	648,718	190,761	340,956	1,180,435
Transfers out.....	(440,755)	(248,908)	(12,836)	(702,499)
Total other sources of financial resources	239,148	191,348	1,150,130	1,580,626
Net changes in fund balances	(373,379)	(176,786)	(67,514)	(617,679)
Fund balances, beginning of the year.....	3,258,967	327,037	333,258	3,919,262
Fund balances, end of the year.....	\$ 2,885,588	\$ 150,251	\$265,744	\$ 3,301,583

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND

Reconciliation of the Statement of the Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, For the Year Ended June 30, 2008

(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Activities (pages 24-25) are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds because of the following:

Net change in fund balances - total governmental funds (page 28)		\$ (617,679)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.		
Capital outlays	\$1,698,837	
Depreciation expense.....	(942,187)	756,650
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
Net loss on disposals and trade-ins	(125,889)	(125,889)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Deferred revenues for taxes are recognized,		
net of revenue already recognized in the prior year	16,531	
Deferred revenues for other revenues are recognized,		
net of revenue already recognized in the prior year	15,645	
Revenues from other assets are recognized, net of revenue recognized in the prior year	(2,257)	29,919
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long term debt and related items.		
Debt issued, General Obligation Bonds.....	(779,986)	
Debt issued, Transportation Bonds.....	(226,755)	
Capital lease financing.....	(31,185)	
Other long-term financing	(102)	
Premiums, discounts and issuance costs.....	(27,361)	
Principal repayments:		
General Obligation Bonds.....	428,310	
Transportation Bonds	68,990	
Capital leases.....	64,031	
Other long-term financing	22,296	(481,762)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Accrued interest.....	(8,510)	
Compensated absences	1,550	
Self-insurance	(16,509)	
Net pension obligation	(153,975)	
Other post-employment benefits liability	(695,921)	
Other long term liabilities	10,631	(862,734)
Change in net assets of governmental activities (page 25)		\$(1,301,495)

The accompanying notes to the financial statements are an integral part of this financial statement.



STATE OF MARYLAND
Enterprise Fund
Financial Statements

Major Funds

Economic Development Loan Programs

This fund includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.

Unemployment Insurance Program

This fund reflects the transactions, assets, liabilities and net assets of the Unemployment Insurance Program and is used to account for the unemployment assessments collected from employers, Federal revenue received and remittance of benefits to the unemployed.

Maryland State Lottery Agency

This fund accounts for the operation of the State Lottery.

Maryland Transportation Authority

This fund accounts for the activity of the Maryland Transportation Authority, which is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Non-major Funds

Other Enterprise Funds

Individual non-major enterprise funds are presented in the combining section following the footnotes.

STATE OF MARYLAND
Statement of Fund Net Assets
Enterprise Funds
June 30, 2008
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Assets-						
Current assets:						
Cash and cash equivalents.....			\$ 1,907	\$ 76,269	\$ 10	\$ 78,186
Equity in pooled invested cash.....	\$ 484,525		59,144		116,588	660,257
Investments	5,022			181,751		186,773
Other accounts receivable	6,113	\$ 105,550	34,920	35,523	7,900	190,006
Due from other funds.....	37,799	1,632		820		40,251
Inventories.....				4,576	11,990	16,566
Loans and notes receivable, net.....	22,980				127	23,107
Investment in direct financing leases..				45,921		45,921
Other assets			47		241	288
Current restricted assets:						
Cash and cash equivalents.....	470,309			471,897		942,206
Cash on deposit with U.S. Treasury..		986,316				986,316
Investments	175,103		33,425	460,846		669,374
Loans and notes receivable, net.....	99,119					99,119
Other accounts receivable.....	33,024					33,024
Total current assets.....	1,333,994	1,093,498	129,443	1,277,603	136,856	3,971,394
Non-current assets:						
Investments	70,533			7,778	1,205	79,516
Due from other funds.....				7,908		7,908
Loans and notes receivable, net.....	522,848				413	523,261
Investment in direct financing leases..				396,555		396,555
Other assets				19,897		19,897
Restricted non-current assets:						
Investments	541,050		127,438			668,488
Deferred charges.....	15,948					15,948
Loans and notes receivable, net.....	2,933,690					2,933,690
Other accounts receivable.....	321					321
Capital assets, net of accumulated depreciation:						
Land.....				305,062		305,062
Structures and improvements				26,414	930	27,344
Equipment	64		837	4,379	6,929	12,209
Infrastructure.....				1,526,053	69	1,526,122
Construction in progress				557,194		557,194
Total non-current assets	4,084,454		128,275	2,851,240	9,546	7,073,515
Total assets.....	5,418,448	1,093,498	257,718	4,128,843	146,402	11,044,909

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Liabilities-						
Current liabilities:						
Accounts payable and accrued liabilities...	86,544	40,695	40,598	150,285	2,355	320,477
Due to other funds	1,600		39,418	35,937	350	77,305
Accrued insurance on loan losses	676				7,731	8,407
Other liabilities.....	9,310		33,673	1,659	1,286	45,928
Unearned revenue.....	27		2,627	16,139	1,483	20,276
Revenue bonds payable - current	137,355			49,446		186,801
Total current liabilities.....	235,512	40,695	116,316	253,466	13,205	659,194
Non-current liabilities:						
Due to other funds					1,408	1,408
Other liabilities.....	24,698		112,473	33,101	2,058	172,330
Revenue bonds payable.....	2,995,135			1,859,403		4,854,538
Total non-current liabilities.....	3,019,833		112,473	1,892,504	3,466	5,028,276
Total liabilities	3,255,345	40,695	228,789	2,145,970	16,671	5,687,470
Net Assets-						
Invested in capital assets, net of related debt.....	64		189	1,678,752	6,171	1,685,176
Restricted for:						
Debt service.....	3,464			129,750		133,214
Capital improvements				96,994		96,994
Unemployment compensation benefits.		1,052,803				1,052,803
Loan programs	1,035,596					1,035,596
Insurance programs					103,332	103,332
Unrestricted	1,123,979		28,740	77,377	20,228	1,250,324
Total net assets.....	\$2,163,103	\$1,052,803	\$ 28,929	\$1,982,873	\$129,731	\$5,357,439

The accompanying notes to the financial statements are an integral part of this financial statement.



STATE OF MARYLAND

**Statement of Revenues, Expenses
and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended June 30, 2008**

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Operating revenues:						
Lottery ticket sales			\$1,673,038			\$1,673,038
Charges for services and sales	\$ 72,038	\$ 391,212		\$ 353,125	\$ 53,403	869,778
Loan and grant recoveries	2,140					2,140
Unrestricted interest on loan income	19,083				541	19,624
Restricted interest on loan income	133,246					133,246
Other	3,385			12,501	42	15,928
Total operating revenues	229,892	391,212	1,673,038	365,626	53,986	2,713,754
Operating expenses:						
Prizes and claims			956,887			956,887
Commissions and bonuses			117,824			117,824
Cost of sales and services			22,525		37,614	60,139
Operation and maintenance of facilities				184,259		184,259
General and administrative	32,012		35,693	32,692	10,754	111,151
Benefit payments		544,109				544,109
Capital grant distributions	34,593					34,593
Depreciation and amortization	1,532		628	59,616	1,351	63,127
Provision for						
insurance on loan losses	17,478				1,946	19,424
Other	19,960					19,960
Total operating expenses	105,575	544,109	1,133,557	276,567	51,665	2,111,473
Operating income (loss)	124,317	(152,897)	539,481	89,059	2,321	602,281
Non-operating revenues (expenses):						
Unrestricted interest and other						
investment income	13,377		4,710	7,717		25,804
Restricted interest and other						
investment income	57,158	49,636		47,362	5,471	159,627
Interest expense	(147,754)		(30)	(49,154)		(196,938)
Federal grants and distributions	44,205	13,430				57,635
Other	(534)			12,516	(12)	11,970
Total non-operating revenues						
(expenses)	(33,548)	63,066	4,680	18,441	5,459	58,098
Income (loss) before transfers	90,769	(89,831)	544,161	107,500	7,780	660,379
Transfers in	40,854			36,000		76,854
Transfers out	(3,996)	(11,390)	(529,404)		(10,000)	(554,790)
Changes in net assets	127,627	(101,221)	14,757	143,500	(2,220)	182,443
Total net assets - beginning of the year	2,035,476	1,154,024	14,172	1,839,373	131,951	5,174,996
Total net assets - end of the year	\$2,163,103	\$1,052,803	\$ 28,929	\$1,982,873	\$129,731	\$5,357,439

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND

Statement of Cash Flows

Enterprise Funds

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Cash flows from operating activities:						
Receipts from customers.....	\$ 420,629	\$ 392,003	\$1,663,972	\$ 342,371	\$ 52,192	\$2,871,167
Payments to suppliers	(1,748)		(48,756)	(111,161)	(33,607)	(195,272)
Payments to employees	(11,316)		(12,254)	(81,380)	(16,487)	(121,437)
Other receipts (payments)	(1,072,560)	(546,103)	(115,989)	20,258	4,206	(1,710,188)
Lottery prize payments			(951,186)			(951,186)
Net cash from operating activities....	(664,995)	(154,100)	535,787	170,088	6,304	(106,916)
Cash flows from non-capital financing activities:						
Proceeds from the sale of revenue bonds.....	557,489					557,489
Payment on revenue bonds.....	(509,060)			(14,880)		(523,940)
Interest payments	(142,108)			(24,376)		(166,484)
Transfers in.....	6,122			36,000		42,122
Transfers out.....	(3,996)	(11,390)	(534,014)		(10,000)	(559,400)
Grants	44,205	13,430				57,635
Lottery installment payments			(93,087)			(93,087)
Other	(3,519)	7,750	55,113			59,344
Net cash from non-capital financing activities....	(50,867)	9,790	(571,988)	(3,256)	(10,000)	(626,321)
Cash flows from capital and related financing activities:						
Proceeds from interfund borrowings.....					1,758	1,758
Proceeds from notes payable and revenue bonds.....				859,123		859,123
Principal paid on notes payable and revenue bonds.....				(31,542)		(31,542)
Interest payments			(30)	(32,849)		(32,879)
Acquisition of capital assets.....	(22)			(548,288)	(3,533)	(551,843)
Payments of capital lease obligations.....			(476)			(476)
Net cash from capital and related financing activities	(22)		(506)	246,444	(1,775)	244,141
Cash flows from investing activities:						
Purchase of investments.....	(312,631)		(1,311)	(5,392,426)		(5,706,368)
Proceeds from maturity and sale of investments	751,480		37,974	4,970,277		5,759,731
Interest on investments.....	62,714	49,636		84,587	5,471	202,408
Receipts from investment in direct financing leases				18,023		18,023
Net cash from investing activities.....	501,563	49,636	36,663	(319,539)	5,471	273,794
Net changes in cash and cash equivalents	(214,321)	(94,674)	(44)	93,737		(215,302)
Balance - beginning of the year	684,630	1,080,990	1,951	454,429	10	2,222,010
Balance - end of the year.....	\$ 470,309	\$ 986,316	\$ 1,907	\$ 548,166	\$ 10	\$2,006,708

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 124,317	\$(152,897)	\$539,481	\$ 89,059	\$2,321	\$ 602,281
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	1,532		628	59,616	1,351	63,127
Effect of changes in non-cash operating assets and liabilities:						
Equity in pooled invested cash.....	(228,134)		1,699		4,678	(221,757)
Investments	(476)					(476)
Other accounts receivable.....	(8,052)	908	(5,897)	(312)	(952)	(14,305)
Due from other funds.....	11,031	(117)		929		11,843
Inventories.....			547	(1,562)	(3,164)	(4,179)
Loans and notes receivable.....	(573,297)				32	(573,265)
Other assets			176		(237)	(61)
Accounts payable and accrued liabilities	14,386	(1,994)	1,110	16,734	288	30,524
Due to other funds	(146)			763		617
Accrued insurance on loan losses	200				1,558	1,758
Other liabilities.....	(6,352)		1,213	2,369	300	(2,470)
Unearned revenue.....	(4)		(3,170)	2,492	129	(553)
Total adjustments	(789,312)	(1,203)	(3,694)	81,029	3,983	(709,197)
Net cash from operating activities.....	\$(664,995)	\$(154,100)	\$535,787	\$170,088	\$6,304	\$(106,916)
Noncash transactions (amounts expressed in thousands):						
Unrealized gain (loss) on investments	\$ (7,801)		\$ 4,708	\$ (4,735)		
Additions to leased capital assets.....				37,492		

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

(Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund	Agency Funds
Assets:				
Cash and cash equivalents.....	\$ 1,743,294		\$118,802	\$ 101,196
Equity in pooled invested cash.....				1,669,571
Investments:				
U.S. Treasury and agency obligations.....	637,011	\$1,299,427		
Repurchase agreements		409,353		
Bonds	1,623,715			
Corporate equity securities.....	8,122,414			
Commercial paper		172,282		
Bankers acceptances.....		107,662		
Mortgage related securities.....	2,226,345			
Mutual funds.....	21,579,592	269,262		
Guaranteed investment contracts.....	629,093			
Real estate.....	1,249,452			
Annuity contracts	129,460			
Private equity.....	830,433			
Investments held by borrowers under securities lent with cash collateral.....	1,768,886			
Total investments.....	38,796,401	2,257,986		
Taxes receivable, net				239,559
Other receivables	894,125	3,817	5,634	2,200
Collateral for lent securities	1,826,516			
Total assets.....	43,260,336	2,261,803	124,436	2,012,526
Liabilities:				
Accounts payable and accrued liabilities	2,168,465	5,180		182,748
Accounts payable to political subdivisions				1,829,778
Collateral obligation for lent securities.....	1,826,516			
Total liabilities	3,994,981	5,180		2,012,526
Net assets:				
Held in trust for:				
Pension benefits (A schedule of funding progress for each of the plans may be found on pages 89 & 90)	36,739,767			
Deferred compensation benefits.....	2,525,588			
Local Government Investment Pool participants		2,256,623		
Postretirement health benefits			124,436	
Total net assets.....	\$39,265,355	\$2,256,623	\$124,436	\$ —

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund
Additions:			
Contributions:			
Employers.....	\$ 488,174		\$100,000
Members	584,695	\$4,840,601	
Sponsors	604,756		
On behalf payments.....			24,385
Total contributions	1,677,625	4,840,601	124,385
Investment earnings:			
Net decrease in fair value of investments.....	(2,599,461)		
Interest	481,574	83,761	82
Dividends	237,938		
Real estate operating net earnings	25,096		
Net change in annuity reserves.....	2,592		
Total investment earnings	(1,852,261)	83,761	82
Less: investment expense.....	166,430	639	
Net investment earnings	(2,018,691)	83,122	82
Total additions	(341,066)	4,923,723	124,467
Deductions:			
Benefit payments	2,305,551		
Distributions to participants.....		83,082	
Redemptions (unit transactions at \$1.00 per unit).....		4,509,411	
Refunds	16,223		
Administrative expenses.....	30,493		31
Total deductions	2,352,267	4,592,493	31
Changes in net assets.....	(2,693,333)	331,230	124,436
Net assets - beginning of the year	41,958,688	1,925,393	
Net assets - end of the year	\$39,265,355	\$2,256,623	\$124,436

The accompanying notes to the financial statements are an integral part of this financial statement.



STATE OF MARYLAND
Component Unit
Financial Statements

Major Component Units

Higher Education

Higher education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single component unit. The financial information for certain foundations affiliated with the universities and colleges has not been included in this fund in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39.

Maryland Prepaid College Trust

The Maryland Prepaid College Trust is a program of the College Savings Plans of Maryland and directed by the Board to provide a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education.

Maryland Stadium Authority

The Maryland Stadium Authority was created as a body corporate and politic and as an independent unit of the Executive Department of the State of Maryland. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State.

Non-major Component Units

Other Component Units

Non-major component units are presented individually in the combining section following the footnotes.

STATE OF MARYLAND

Combining Statement of Net Assets

Component Units

June 30, 2008

(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Stadium Authority	Other Component Units	Total
Assets:					
Cash and cash equivalents	\$ 66,941	\$ 12,862	\$ 295	\$ 7,692	\$ 87,790
Equity in pooled invested cash.....	1,069,758	403	1,046	43,089	1,114,296
Investments	534	532,662		28,224	561,420
Endowment investments	241,669				241,669
Foundation investments	930,344				930,344
Tuition contracts receivable	52,278	164,181			216,459
Other accounts receivable.....	419,189	1,665	8,708	29,288	458,850
Due from primary government.....	94		3,609		3,703
Inventories.....	11,658				11,658
Prepaid items.....	7,889				7,889
Deferred charges.....	1,748		3,341		5,089
Loans and notes receivable, net.....	73,394		3,913	628	77,935
Investments in direct financing leases.....			258,148	7,619	265,767
Other assets	15,948		1	5,422	21,371
Restricted assets:					
Cash and cash equivalents.....	69,533		75		69,608
Investments	81,424		11,470	9,561	102,455
Other.....	27				27
Capital assets, net of accumulated depreciation:					
Land.....	143,403			6,173	149,576
Art and historical treasures.....	392				392
Structures and improvements.....	2,942,577		195,963	21,968	3,160,508
Infrastructure.....	142,828			232	143,060
Equipment	356,961	136	8,335	9,266	374,698
Construction in progress.....	402,217			3,164	405,381
Total assets.....	7,030,806	711,909	494,904	172,326	8,409,945
Liabilities:					
Salaries payable	85,650				85,650
Accounts payable and accrued liabilities	152,641	406	5,381	33,809	192,237
Due to primary government	551				551
Unearned revenue.....	176,490	7,045	10,893	2,777	197,205
Accrued insurance on loan losses	613			4,757	5,370
Other liabilities.....	1,546			306	1,852
Bonds and notes payable:					
Due within one year	75,617		15,557	3,046	94,220
Due in more than one year	1,010,374		256,000	7,558	1,273,932
Other noncurrent liabilities:					
Due within one year	89,731	39,183	58	21,113	150,085
Due in more than one year	166,708	603,954	818	20,470	791,950
Total liabilities	1,759,921	650,588	288,707	93,836	2,793,052

	Higher Education	Maryland Prepaid College Trust	Stadium Authority	Other Component Units	Total
Net Assets:					
Invested in capital assets, net of related debt	3,010,319	136	193,311	34,357	3,238,123
Restricted:					
Debt service.....			2,524		2,524
Capital improvements and deposits		773	9,021	298	10,092
Nonexpendable:					
Scholarships and fellowships	253,801				253,801
Research.....	8,194				8,194
Other.....	385,207				385,207
Expendable:					
Debt service.....	5,772				5,772
Capital projects.....	10,287				10,287
Loans and notes receivable	74,431				74,431
Scholarships and fellowships	126,305				126,305
Research.....	107,557				107,557
Other.....	278,687				278,687
Unrestricted.....	1,010,325	60,412	1,341	43,835	1,115,913
Total net assets	\$5,270,885	\$61,321	\$206,197	\$78,490	\$5,616,893

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND

Combining Statement of Activities

Component Units

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Stadium Authority	Other Component Units	Total
Expenses:					
General and administrative		\$ 1,921	\$ 7,296	\$ 13,163	\$ 22,380
Operation and maintenance of facilities.....	\$ 307,386		19,893	143,849	471,128
Provision for insurance on loan losses, net				2,837	2,837
Instruction.....	1,043,661				1,043,661
Research	861,471				861,471
Public service.....	137,991				137,991
Academic support.....	342,383				342,383
Student services	172,072				172,072
Institutional support.....	370,546				370,546
Scholarships and fellowships.....	91,732				91,732
Tuition benefits		49,676			49,676
Auxiliary.....	450,198				450,198
Hospitals	111,225				111,225
Interest on long-term debt.....	45,081		17,635	959	63,675
Depreciation and amortization		52	14,505	3,074	17,631
Foundation expenses	89,281				89,281
Other	1,332	16	8,086	4,136	13,570
Total expenses.....	4,024,359	51,665	67,415	168,018	4,311,457
Program revenues:					
Charges for services:					
Student tuition and fees (net of \$187,902 in allowances)	1,010,058				1,010,058
Auxiliary enterprises (net of \$24,579 in allowances)	474,778				474,778
Restricted investment earnings (loss).....	(4,758)		2,209	423	(2,126)
Other.....	298,876	54,406	32,036	134,411	519,729
Total charges for services	1,778,954	54,406	34,245	134,834	2,002,439
Operating grants and contributions	1,205,508		20,536	29,977	1,256,021
Capital grants and contributions	213,209				213,209
Total program revenues.....	3,197,671	54,406	54,781	164,811	3,471,669
Net program revenue (expense)	(826,688)	2,741	(12,634)	(3,207)	(839,788)
General revenues:					
Grants and contributions not restricted to specific programs	1,132,291			621	1,132,912
Unrestricted investment earnings (loss).....	75,057	(31,861)	107	3,466	46,769
Additions to permanent endowments.....	1,304				1,304
Total general revenues, additions and deductions to permanent endowments ...	1,208,652	(31,861)	107	4,087	1,180,985
Changes in net assets.....	381,964	(29,120)	(12,527)	880	341,197
Net assets - beginning of the year	4,888,921	90,441	218,724	77,610	5,275,696
Net assets - end of the year	\$5,270,885	\$61,321	\$206,197	\$ 78,490	\$5,616,893

The accompanying notes to the financial statements are an integral part of this financial statements.

STATE OF MARYLAND

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For the Year Ended June 30, 2008

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Notes to the Financial Statements

For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies:

A. Reporting Entity

The accompanying financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or Constitutional Officers of the State of Maryland (State).

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the state government (primary government) and its component units (entities for which the State is considered to be financially accountable). The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the State appointing a voting majority of an organization's governing body and (1) the ability of the governing body to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discrete Component Units

These component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units column of the government-wide financial statements includes the financial data of the following major component units. Individual statements are presented for each component unit.

Higher Education (Proprietary Fund Type) – Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Each entity is governed by its own Board of Regents, or Board of Trustees, whose members are appointed by the Governor. The universities and colleges are funded through State appropriations, tuition, Federal grants, and private donations and grants. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single discretely presented component unit. Some of the financial information for foundations affiliated with the universities and colleges has not been included with the financial information of the universities and colleges in accordance with the requirements of GASB Statement No. 14 as amended by GASB Statement No. 39.

The Maryland Prepaid College Trust (Proprietary Fund Type) is a program of the College Savings Plans of Maryland and directed by its Board. The Board consists of five State officials and five members of the public appointed by the Governor. The Maryland Prepaid College Trust provides a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education. If the Trust's contract obligations exceed the market value of Trust assets, State appropriations may be provided.

Maryland Stadium Authority (Proprietary Fund Type) — The Maryland Stadium Authority (Authority) was created as a body corporate and politic and as an independent unit of the Executive Department of the State. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State. The Authority's Board consists of seven members, of which, six are appointed by the Governor, with the advice and consent of the State Senate, and one whom is appointed by the Mayor of Baltimore City, with the advice and consent of the State Senate. The Maryland State Legislature and the Board of Public Works (consisting of the Governor, Comptroller and Treasurer) have approved all of the projects and bond issuances of the Authority.

The non-major component units are comprised of the following proprietary fund type entities.

The Maryland Food Center Authority (Authority) is a body corporate and politic, the governing board of which is composed of twelve members. Four members are State officials, and eight members are appointed by the Governor. The Authority has statewide jurisdiction to promote the State's welfare by undertaking real estate development and management activities that facilitate the wholesale food industry activity in the public interest. It is subject to State regulations and approvals and has received State subsidies.

The Maryland Environmental Service (Service) was created as a body corporate and politic and is governed by a nine-member Board of Directors. The Board of Directors and the officers of the Service are appointed and/or approved by the Governor. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

The Maryland Industrial Development Financing Authority (MIDFA) was established as a body corporate and politic and a public instrumentality of the State. The Authority consists of nine members, the Secretary of the Department of Business and Economic Development, or his designee, the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Secretary of the Department of Business and Economic Development and approved by the Governor. The MIDFA is subject to the authority of the Secretary and subject to State finance regulations. It provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

The Maryland Technology Development Corporation (Corporation) was established as a body corporate and politic and a public instrumentality of the State. The Corporation's Board of Directors consists of 15 individuals, the Secretary of the Department of Business and Economic Development and 14 members appointed by the Governor with the advice and consent of the Senate. Its budget is submitted to and approved by the State, and its major revenue source is State appropriations. The Corporation was created to assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by the colleges and universities and to assist in the commercialization of technology developed in the private sector. The Corporation administers the Maryland Technology Incubator Program and the Maryland Stem Cell Research Fund.

Complete financial statements of the individual component units and the Local Government Investment Pool of the Investment Trust Fund may be requested from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

Related Organizations

The Maryland Economic Development Corporation (MEDCO), Injured Workers' Insurance Fund and the Maryland Automobile Insurance Fund are related organizations of the State. The Governor appoints a majority of the Board of Directors, but the State does not have the ability to impose its will on the organizations, and there is no financial benefit/burden relationship. As of June 30, 2008, the Economic Development Loan Programs, major enterprise funds, had transactions with MEDCO that included loans, investments and grants totaling \$20,543,000.

B. Government-wide and Fund Financial Statements

The State's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. Interfund activity has been eliminated from these statements except for certain charges for services between activities that would distort the direct costs and program revenues reported for the applicable functions. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Expenses reported for functional activities include allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements as those assets are not available to liquidate current liabilities. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (other than the agency funds), financial statements. The agency funds are reported using the accrual basis of accounting, but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurements focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement costs, compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The State reports the following major governmental funds:

General Fund:

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other governmental funds, are accounted for in the general fund. These services include, among other items, general government, health and mental hygiene, education (other than higher education institutions), human resources, public safety, judicial, labor, licensing and regulation, natural resources and recreation, housing and community development, environment, agriculture, and business and economic development. Resources obtained from Federal grants and used for general fund activities consistent with applicable legal requirements, are recorded in the general fund.

Special Revenue Fund, Maryland Department of Transportation:

Transactions related to resources obtained, the uses of which are restricted for specific purposes, are accounted for in the special revenue fund. The Maryland Department of Transportation special revenue fund accounts for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation, including construction or improvement of transportation facilities and mass transit operations.

Enterprise Funds:

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The enterprise funds differ from governmental funds in that the focus is on the flow of economic resources, which, together with the maintenance of equity, is an important financial indicator.

The major enterprise funds are as follows.

1. The Economic Development Loan Programs includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.
2. The Unemployment Insurance Program reflects the transactions, assets, liabilities and net assets of the Unemployment Insurance Program and is used to account for the unemployment taxes collected from employers, Federal revenue received and remittance of benefits to the unemployed.
3. The Maryland State Lottery Agency operates the State Lottery.
4. The Maryland Transportation Authority is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Fiduciary Funds:

1. The Pension and Other Employee Benefits Trust Fund (Pension Trust Fund) includes the State Retirement and Pension System of Maryland, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Pension Trust Fund reflects the transactions, assets, liabilities and net assets of the plans administered by the State and is accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is reported as of and for its period ended December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a), and 401(k). Amounts deferred are invested and are not subject to Federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.
2. The Investment Trust Fund reflects the transactions, assets, liabilities and net assets of the Maryland Local Government Investment Pool and is accounted for using the flow of economic resources measurement focus.
3. The Postretirement Health Benefits Trust Fund (OPEB Trust) accumulates funds to assist the State's Employee and Retiree Health and Welfare Benefits Program finance the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the State Retirement and Pension System of Maryland, and its transactions, assets, liabilities and net assets are accounted for using the flow of economic resources measurement focus. The assets of the Pension and OPEB Trusts are not pooled for investment purposes, and each trust's assets may be used only for the payment of benefits to the trust's members in accordance with the terms of the trust.
4. The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of litigants, patient and prisoner accounts, various taxes collected by the State for distribution to political subdivisions and amounts withheld from employees' payroll.

D. New Pronouncements:

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for periods beginning after December 15, 2007, was issued by the GASB in November 2006. In addition, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, in June, 2007, effective for financial statements for periods beginning after June 15, 2009 and Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, in November 2007, effective for periods beginning after June 15, 2008. The State will implement each of these as of their effective dates. While the State is still in the process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of the State.

2. Significant Accounting Policies - Assets, Liabilities and Net Assets or Equity:

A. All Funds:

Deposits with Financial Institutions and Investments:

The State Treasurer's Office operates a centralized cash receipt, investment and disbursement function for the majority of the State's funds as required by statute. Certain enterprise activities, pension funds, agency funds and component units are specifically exempted from this function in the law. Individual fund equity in pooled invested cash is reported as an asset on the balance sheets of those funds participating in the centralized cash receipt and disbursement function. Investment earnings accrue to those funds reporting equity in pooled invested cash only if the law specifically provides for the fund's accrual of interest earnings.

The State Treasurer's Office invests short-term cash balances on a daily basis primarily in repurchase agreements, U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a United States agency issues in accordance with an act of Congress.
- Repurchase agreements that any of the above obligations secure.
- Certificates of deposits of Maryland financial institutions.
- Banker's acceptances.
- Money market mutual funds.
- Commercial paper.
- Maryland Local Government Investment Pool.
- Securities Lending Collateral.

In addition, bond sale proceeds may be invested in Municipal securities. A significant portion of the investments maintained by the State Treasurer consists of repurchase agreements. Collateral must be at least 102% of the book value of the repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping.

Investments are recorded at fair value and changes in fair value are recognized as revenue. Fair values are based on quotations from national security exchanges and security pricing services, or by the respective fund managers for securities which are not actively traded. Investments maturing within 90 days of purchase are reported in the financial statements as cash and cash equivalents.

The State Retirement and Pension System of Maryland (System), in accordance with State Personnel and Pensions Article Section 21-123 of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the System. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in nondividend paying common stocks. In addition, no investment in any one organization may constitute more than 5% of the total assets of the System. The System is authorized by Section 21-116 of the State Personnel and Pensions Article to establish and maintain the investment policy manual, which authorizes investing in all major sectors of the capital market in order to diversify and minimize total investment program risk. Such sectors include, but are not limited to, common stock, preferred stock, convertible securities, warrants and similar rights of U.S. and non-U.S. companies; private equity - direct/partnership/funds; real estate investment trusts; commingled real estate funds; directly owned real estate; fixed income obligations of the U.S. government and its states and local subdivisions, non-U.S. governments and their states and local subdivisions, U.S. and non-U.S. companies, and supra-national organizations; futures and options; foreign exchange forward and future contracts and options; equity index futures; and equity options.

Investments of the System, the Postretirement Health Benefits Trust Fund (OPEB Trust) and the Maryland Transit Administration (MTA) Pension Plan are stated at fair value. The investments of the OPEB Trust and the MTA Pension Plan are held and invested on their behalf by the System. For fixed income securities, fair value is based on quoted market prices provided by independent pricing services. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages and mortgage related securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Fair value for real estate investments is based on estimated current values and independent appraisals. Fair value for private equity investments and mutual funds (other than those funds traded on a national or international exchange) is based on information provided by the applicable fund managers.

State employees are offered participation in deferred compensation plans created in accordance with the Internal Revenue Code, Sections 401(a), 401(k), 403(b) and 457. The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans is responsible for the implementation, maintenance and administration of the Plans. The Board has appointed a private company as the Plans' administrator. Assets of the Plans are held in trusts for the exclusive benefit of participating employees and their beneficiaries. Investments of the Plans are stated at fair value. Fair value of the investments is valued at cost plus interest credited for fixed earnings investment contract pools and at fair value based on published quotations at each December 31, or net asset value as provided by the investment custodian, for variable earnings investments.

Retirement Costs:

Substantially all State employees participate in one of several State retirement systems. (See footnote 15.) The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement costs have been provided on the accrual basis, based upon actuarial valuations, except that retirement expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Other Post-Employment Benefit Costs:

Substantially all State retirees may participate in the various health care plans offered by the State. (See footnote 16.) Post-employment health care costs have been provided on the accrual basis, based upon actuarial valuations, except that other post-employment expenditures for governmental funds represent amounts contributed by the State and plan members for the fiscal year.

Accrued Self-Insurance Costs:

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary funds and discretely presented component units on an accrual basis and the modified accrual basis for the governmental funds. The long-term accrued self-insurance costs of the governmental funds, which are not expected to be funded with current resources, are reported in the government-wide financial statements.

Annual Leave Costs:

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 50 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the government-wide financial statements. Liabilities for accumulated earned but unused annual leave applicable to proprietary funds and component units are reported in the respective funds.

Capital Assets:

Capital assets, which include property, plant, art and historical treasures, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure acquired prior to June 30, 1980, is not reported. Capital assets are defined by the government as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	5-50
Building improvements	5-50
Vehicles	3-25
Office equipment	3-10
Computer equipment	3-10
Computer software	5-10
Infrastructure	10-50

Long-term Obligations:

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Restricted Resources:

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, and then unrestricted resources as they are needed.

Debt Refinancing:

The gain or loss associated with debt refinanced is deferred and amortized to interest expense over the remaining life of the old debt or the life of the new debt whichever is shorter.

Net Assets:

Net assets are divided into three categories. Net assets invested in capital assets net of related debt is the capital assets less accumulated depreciation and outstanding principal of the related debt. Restricted net assets reflect restrictions on assets imposed by parties outside the State or imposed by the State by constitutional provisions or enabling legislation. Unrestricted net assets are total net assets of the State less net assets invested in capital assets net of related debt and restricted net assets. Unrestricted net assets are comprised mainly of cash, investments, loans and receivables.

B. Governmental Funds:

Inventories and Prepaid Items:

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements under the consumption method.

Grants:

Revenues from Federal reimbursement type grants are recognized when the related expenditures are incurred and the revenues are both measurable and available. The government considers all grant revenues to be available if they are collected within 60 days of the current fiscal period. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

Income Taxes:

The State accrues the net income tax receivable or records a deferred revenue based on estimated income tax revenues and refunds due relating to the fiscal year, that will not be collected or paid until after the fiscal year end. This accrual is computed based on projected calendar year net tax collections, tax laws in effect, future projections and historical experience.

Sales and Use Taxes:

The State accrues June sales taxes that are not remitted at year end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the State in July by merchants who collect the related sales tax.

Property Taxes:

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30 on all real property subject to taxation, due and payable each July 1 and December 1 (lien dates), based on assessed values as of the previous January 1, established by the State Department of Assessments and Taxation at 100% of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establish rates and levy their own tax on such assessed values. The State tax rate in fiscal year 2008 was 11.2 ¢ per \$100 of assessed value. Unpaid property taxes are considered in arrears on October 1 and January 1, respectively, and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Property taxes are accrued to the extent they are collected within 60 days of year end.

Escheat Property:

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund. An asset is recognized in the period when the legal claim to the assets arises or when the resources are received, whichever occurs first, and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid. The amount of the liability expected to be repaid within one year is recognized in the general fund and the total liability is reported as an other noncurrent liability in the government-wide statement of net assets.

Intergovernmental Expenditures:

General, special revenue and capital projects fund revenues paid to political subdivisions, and bond proceeds granted to political subdivisions, are recorded as intergovernmental expenditures if such payments do not require mandatory use for specific functions. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

Capital Assets:

Expenditures for capital assets are reported as capital outlays in the governmental funds.

Compensated Absences:

It is the State's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

C. Enterprise Funds, Fiduciary Funds and Component Units:

Basis of Accounting:

The accounts of the enterprise funds, fiduciary funds and component units are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. For both the government-wide business-type activities and the enterprise fund financial statements, the State has selected the option to apply all applicable GASB pronouncements and only FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989.

Enterprise funds and component units distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents:

The enterprise funds consider all highly liquid investments that mature within 90 days of purchase to be cash and cash equivalents for reporting on the statement of cash flows.

Grants:

Revenues from Federal reimbursement type grants are recorded when the related expenses are incurred.

Capital Assets:

Capital assets are stated at cost. Depreciation of the cost of capital assets is provided on the straight-line basis over estimated useful lives of 5 to 50 years for depreciable real property and building improvements, and 3 to 10 years for equipment. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

Lottery Revenues, Prizes and Related Transfers:

Revenues and prizes of the Maryland State Lottery Agency (Lottery) are primarily recognized when drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future. State law requires the Lottery to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from certain select games are transferred to the State's general fund, which then transfers the amounts to the Maryland Stadium Authority for operations and to cover the State's capital lease payments to the Maryland Stadium Authority.

Provisions for Insurance and Loan Losses:

Current provisions are made for estimated losses resulting from insuring loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization. Reductions required to the reserve for loan or insured loan reserves are recorded as negative expenses.

Inventories:

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

3. Deposits with Financial Institutions and the U.S. Treasury, Equity in Pooled Invested Cash and Investments:

Cash and cash equivalents, equity in pooled invested cash and investments as shown on the basic financial statements as of June 30, 2008, reconcile to cash deposit and investment disclosures as follows (amounts expressed in thousands).

Government-wide statement of net assets:

Cash and cash equivalents	\$ 329,140
Equity in pooled invested cash	4,566,516
Investments.....	2,009,123
Collateral for lent securities.....	358,709
Restricted cash and cash equivalents.....	2,032,358
Restricted investments	1,440,317

Statement of fiduciary net assets:

Cash and cash equivalents	1,963,292
Equity in pooled invested cash	1,669,571
Investments.....	41,054,387
Collateral for lent securities.....	1,826,516
Total cash and cash equivalents, equity in pooled invested cash and investments per basic financial statements	57,249,929
Less: Cash and cash equivalents and investments of higher education foundations not subject to disclosure	962,533
Total cash deposits and investments per Note 3.....	\$56,287,396

Note 3 of the financial statements:

Cash deposits:

Governmental funds	\$ 172,565
Enterprise funds	1,044,920
Fiduciary funds.....	185,854
Component units	58,849

Investments:

Governmental funds	6,629,024
Enterprise funds	2,565,940
Fiduciary funds.....	44,658,342
Component units	971,902
Total cash deposits and investments.....	\$56,287,396

Cash and cash equivalents for financial statement presentation include short-term investments maturing within 90 days of purchase. Investments for financial statement presentation include certificates of deposit maturing 90 days or more from date of purchase.

A. Cash Deposits:

As of June 30, 2008, the carrying value for the bank deposits of the governmental funds, enterprise funds, fiduciary funds and component units were \$172,565,000, \$1,044,920,000, \$185,854,000 and \$58,849,000, respectively. The bank balances were \$172,565,000, \$1,044,801,000, \$185,854,000, and \$107,714,000, respectively.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial

institution's trust department or agent but not in the government's name. State law permits the Treasurer to deposit in a financial institution in the State, unexpended or surplus money in which the Treasurer has custody if (a) the deposit is interest bearing; (b) the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance; and (c) a custodian holds the collateral.

The Economic Development Loan Programs, Higher Education component unit, Maryland Stadium Authority, and certain other component units do not have a deposit policy for custodial credit risk. As of June 30, 2008, \$642,000, \$5,227,000, \$75,000, and \$7,107,000, respectively, of their bank balances were exposed to custodial credit risk as uninsured and uncollateralized. The Maryland Prepaid College Trust does not have a policy for custodial credit risk. As of June 30, 2008, \$15,827,000, of its bank balances were exposed to custodial credit risk as uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Trust's name.

B. Investments:

The State discloses investment risks as follows:

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

1. Investments-Governmental Funds:

The State Treasurer's Office is authorized to make investments as stated in footnote 2.A.

Investments are stated at fair value that is based on quoted market prices. The investments and maturities as of June 30, 2008, for the governmental funds of the primary government are as follows (amounts expressed in thousands).

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-3	More than 3
U.S. Government agency obligations (a)	\$5,623,563		\$117,317 (b)	\$5,506,246 (c)
Repurchase agreements.....	260,202	\$260,202		
Guaranteed investment contracts....	8,065			8,065
Total investments.....	5,891,830	260,202	117,317	5,514,311
Collateral for lent securities	358,709	358,709		
Total investments and collateral for lent securities....	\$6,250,539	\$618,911	\$117,317	\$5,514,311

(a) Investments held by broker dealers under securities lending program are \$241,816,000.

(b) Bonds in the amount of \$117,317,000, mature July 2010 to June 2011, but are callable July 2008 to June 2009.

(c) Bonds in the amount of \$3,736,909,000, mature July 2011 to June 2013, but are callable July 2008 to February 2010.

In addition to the investments scheduled above, as of June 30, 2008, the governmental funds had investments of \$214,691,000 in money market mutual funds and \$163,794,000 in the Local Government Investment Pool. These investments are operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. Their fair values are based on a share price of \$1.00 per share.

Interest Rate Risk. The State Treasurer's Office's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase. In addition, investments of the non-major governmental funds are subject to the provisions of the 2002, 2005, and 2007 Qualified Zone Academy Bond covenants requiring that annual sinking fund deposits be made to redeem the bonds in 2016, 2020, and 2022, respectively. These funds, totaling \$8,065,000, are invested in guaranteed investment contracts.

Credit Risk. State law requires that the governmental funds' repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments are made directly in U.S. agency obligations. These agency obligations are rated Aaa by Moody's and AAA by Standard and Poor's. State law also requires that money market mutual funds have the highest possible rating from at least one nationally recognized securities rating organization. The money market mutual funds are rated Aaa/AAA. The Local Government Investment Pool is rated AAAM by Standard & Poor's. The guaranteed investment contracts are collateralized by U.S. agency obligations. They are not required to be and are not rated.

Concentration of Credit Risk. The State Treasurer's Office's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer. More than 5 percent of the governmental funds' investments are in the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, and the Federal Farm Credit Bank. These investments are 32.8%, 27.8%, 16.9% and 15.4% of the governmental funds' total investments, respectively.

2. Investments - Enterprise Funds:

The enterprise funds' bond indentures and investment policies, with the exception of the Economic Development Loan Programs, authorize the investment of assets related to the indentures and other funds in obligations in which the State Treasurer may invest. The Economic Development Loan Programs are authorized to invest in obligations of the U.S. Treasury, U.S. government agencies, obligations of U.S. political subdivisions, bankers' acceptances, commercial paper, repurchase agreements, guaranteed investment contracts, corporate debt securities and mutual funds.

Investments of the enterprise funds are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2008, for the enterprise funds of the primary government are as follows (amounts expressed in thousands).

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1 - 5	6-10	11-15	More than 15
U.S. Treasury obligations (a).....	\$ 500,598	\$ 14,845		\$16,469	\$20,431	\$448,853
U.S. Government agency obligations.....	798,057	538,475	\$249,948	1,764	2,200	5,670
Repurchase agreements.....	51,383			33,738		17,645
Commercial paper.....	2,996	2,996				
Guaranteed investment contracts.....	18,996			18,996		
Total	\$1,372,030	\$556,316	\$249,948	\$70,967	\$22,631	\$472,168

(a) Investments held by broker dealers under securities lending program are \$1,230,000.

In addition to the investments scheduled above, as of June 30, 2008, the enterprise funds had investments of \$967,075,000 in money market mutual funds operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. The funds' fair values are based on a share price of \$1.00 per share. The enterprise funds' investments also include the fair value of direct equity investments, \$65,972,000.

The State Lottery Agency, a major enterprise fund, invests in U.S. Treasury obligations and annuity contracts that provide for guaranteed payouts to jackpot prize winners and, therefore, have no interest rate risk to the Lottery. As of June 30, 2008, the fair value of these investments was \$160,444,000 and \$419,000, respectively. Of these investments, U.S. Treasury obligations held by broker dealers under the securities lending program were \$110,754,000.

Interest Rate Risk. The enterprise funds' policy for managing their exposure to fair value loss arising from increasing interest rates is to manage investment maturities so that they precede or coincide with the expected need for funds.

Credit Risk. The investment policies of the enterprise funds require that repurchase agreements are collateralized by U.S. Treasury and agency obligations. The policies also require that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by these or that they receive the highest possible rating from at least one nationally recognized securities rating organization. According to the indenture and investment policy of the Economic Development Loan Programs, investments must be rated no lower than the rating on the Loan Programs' bonds or F1/P1 for the issuer's short-term accounts or securities. The rating on the Loan Programs' bonds as of June 30, 2008, was Aa by Moody's and AA by Fitch. The guaranteed investment contracts are not required to be and are not rated.

As of June 30, 2008, the enterprise funds had the following investments and quality ratings (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. Government agency obligations.....	\$ 798,057	AAA/Aaa	S&P/Moody's	31.10%
Money market mutual funds	967,075	AAA/Aaa	S&P/Moody's	37.69
Repurchase agreements-underlying securities.....	51,383	AAA/Aaa	S&P/Moody's	2.00
Commercial paper.....	2,996	A-1/P-1	S&P/Moody's	0.12
Guaranteed investment contracts.....	18,996	Not rated		0.74
Total	\$1,838,507			71.65%

Concentration of Credit Risk. The enterprise funds place no limit on the amount they may invest in any one issuer. More than 5% of the enterprise funds' investments are in obligations of the Federal Home Loan Bank and Federal Home Loan Mortgage Corporation. These investments are 21.3% and 7.4%, respectively, of the enterprise funds' total investments.

3. Investments - Fiduciary Funds:

The Pension and OPEB Trust Funds are authorized to make investments as stated in footnote 2.A.

The Maryland Local Government Investment Pool is authorized by Article 95, Section 22G, of the Annotated Code of Maryland to invest in any instrument in which the State Treasurer may invest. Investments of the Pool are stated at fair value. Securities are valued daily on an amortized cost basis which approximates market value. Money market funds are valued at the closing net asset value per share on the day of valuation.

The investments and maturities as of June 30, 2008, for the fiduciary funds of the primary government are as follows (amounts expressed in thousands).

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury notes and bonds	\$ 979,656	\$ 13,536	\$ 248,422	\$ 416,232	\$ 301,466
U.S. Treasury strips	14,126				14,126
U.S. Government agency obligations.....	1,389,341	1,113,148	252,856	12,084	11,253
Repurchase agreements.....	409,417	409,417			
Bankers' acceptances.....	107,662	107,662			
Commercial paper.....	172,282	172,282			
Guaranteed investment contracts.....	629,094		624,401	4,693	
Corporate bonds	697,073	22,536	247,509	242,996	184,032
International bonds.....	67,250		12,958	17,931	36,361
Other government bonds	140,696	1,000	39,657	53,302	46,737
Mortgage-backed securities.....	2,226,344		3,482	21,468	2,201,394
Asset-backed securities.....	233,990		56,055	22,039	155,896
Bond mutual funds	6,446,436	20,936	898,332	4,935,868	591,300
Swaps	(49,472)	2,128	(38,140)	(2,562)	(10,898)
Alternative investments	591,947	429,743		162,204	
Total investments.....	14,055,842	2,292,388	2,345,532	5,886,255	3,531,667
Collateral for lent securities	1,826,516	1,826,516			
Total investments and collateral for lent securities....	\$15,882,358	\$4,118,904	\$2,345,532	\$5,886,255	\$3,531,667

In addition to the investments scheduled above, as of June 30, 2008, the fiduciary funds had investments of \$2,043,045,000 in money market mutual funds operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. The fair value of the funds is based on a share price of \$1.00 per share. The fiduciary funds' investments also include the fair value of stock mutual funds, \$15,133,157,000, corporate equity securities, \$9,386,845,000, private equity, \$830,433,000, real estate, \$1,249,452,000, annuity contracts, \$129,461,000, and insurance contracts, \$3,591,000.

Interest Rate Risk. The State Retirement and Pension System (System) may invest in derivatives as permitted by guidelines established by the Board of Trustees. Compliance with these guidelines is monitored by the System's staff. Derivatives are used to improve yield, adjust the duration of the fixed income portfolio, or hedge against changes in interest rates. At times, the System invests in mortgage-backed securities that are subject to changes in value due to changes in interest rates. The values of mortgage-backed securities are generally based on the future cash flows associated with the underlying pools of assets. Therefore, they are sensitive to prepayments by mortgagors which may result from a decline in interest rates. At June 30, 2008, mortgage-backed securities which are highly interest rate sensitive are collateralized mortgage obligations, including interest-only, principal-only, and inverse floater securities in the amount of \$1,800,000. Mortgage pass-through securities which are moderately interest rate sensitive are \$1.7 billion at June 30, 2008. Substantially all derivatives are recorded at fair value in the Statement of Net Assets.

The Deferred Compensation Plans (Plans) invest in annuity contracts and insurance contracts that provide for guaranteed payouts to participants and, therefore, have no interest rate risk to the Plans. As of June 30, 2008, the fair value of these investments was \$129,461,000 and \$3,591,000, respectively.

The State Treasurer's Office manages the Local Government Investment Pool. The State Treasurer's investment policies state that no direct investment by the Pool may have a maturity date of more than 13 months after its acquisition.

Credit Risk. The investment policy of the System requires each fixed income investment manager to maintain a minimum average credit quality of "A" for the total account. The Local Government Investment Pool may invest in instruments rated only Tier 1 by at least one nationally recognized securities rating organization. The money market mutual funds, bond mutual funds, and guaranteed investment contracts of the fiduciary funds are not required to be rated. As of June 30, 2008, the fiduciary funds' investments were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented on the next page using the Standard and Poor's rating scale (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Percentage of Total Investments
U.S. Government agency obligations.....	\$ 1,368,177	AAA	3.19%
U.S. Government agency obligations.....	310	BBB	0.00
U.S. Government agency obligations.....	20,853	Unrated	0.05
Repurchase agreements-underlying securities.....	409,353	AAA	0.96
Repurchase agreements-underlying securities.....	64	Unrated	0.00
Money market mutual funds	559,790	AAA	1.31
Money market mutual funds	200	AA	0.00
Money market mutual funds	1,151,789	A	2.69
Money market mutual funds	331,266	Unrated	0.77
Bankers' acceptances.....	107,662	A1/P1	0.25
Commercial paper.....	172,282	AAA	0.40
Guaranteed investment contracts.....	624,401	AA	1.46
Guaranteed investment contracts.....	4,693	Unrated	0.01
Corporate bonds	42,926	AAA	0.10
Corporate bonds	92,280	AA	0.22
Corporate bonds	145,642	A	0.34
Corporate bonds	17,332	BAA	0.04
Corporate bonds	276,714	BBB	0.65
Corporate bonds	49,319	BB	0.12
Corporate bonds	32,312	B	0.08
Corporate bonds	15,313	CAA	0.04
Corporate bonds	19	CA	0.00
Corporate bonds	16,050	CCC	0.04
Corporate bonds	9,167	Unrated	0.02
International bonds.....	28,965	AAA	0.07
International bonds.....	3,093	A	0.01
International bonds.....	35,192	Unrated	0.08
Other government bonds	3,468	AAA	0.01
Other government bonds	18,264	AA	0.04
Other government bonds	47,334	A	0.11
Other government bonds	66,326	BBB	0.15
Other government bonds	4,419	BB	0.01
Other government bonds	43	CCC	0.00
Other government bonds	842	Unrated	0.00
Mortgage-backed securities.....	2,196,620	AAA	5.13
Mortgage-backed securities.....	5,001	AA	0.01
Mortgage-backed securities.....	1,647	A	0.00
Mortgage-backed securities.....	177	BAA	0.00
Mortgage-backed securities.....	778	BA	0.00
Mortgage-backed securities.....	12,383	BBB	0.03
Mortgage-backed securities.....	3,461	B	0.01
Mortgage-backed securities.....	167	CAA	0.00
Mortgage-backed securities.....	386	CA	0.00
Mortgage-backed securities.....	86	CCC	0.00
Mortgage-backed securities.....	5,639	Not rated	0.01
Asset-backed securities-other	173,532	AAA	0.41
Asset-backed securities-other	32,831	AA	0.08
Asset-backed securities-other	5,724	A	0.01
Asset-backed securities-other	3,344	BAA	0.01
Asset-backed securities-other	13,397	BBB	0.03
Asset-backed securities-other	1,837	BB	0.00
Asset-backed securities-other	2,740	B	0.01
Asset-backed securities-other	579	CCC	0.00
Asset-backed securities-other	6	D	0.00
Bond mutual funds	6,446,436	Not rated	15.05
Swaps	(49,472)	Not rated	(0.12)
Alternative investments	591,947	Not rated	1.38
Total	\$ 15,105,106		35.27%

Foreign Currency Risk. The majority of the System's foreign currency-denominated investments are in equities, which the System's asset allocation policy limits to 15%.

The System's exposure to foreign currency risk as of June 30, 2008, is as follows (amounts expressed in thousands).

Currency	Equity	Fixed Income	Cash	Alternative Investments	Mutual Funds	Total
Australian dollar.....	\$ 117,331	\$ (423)	\$ 940			\$ 117,848
Brazilian real	40,737	(1,870)	966			39,833
Canadian dollar.....	31,808		416			32,224
Danish krone	55,063		35			55,098
Euro currency.....	1,197,460	33,454	12,855	\$123,957		1,367,726
Hong Kong dollar	331,506		1,545			333,051
Israeli shekel	4,675		5			4,680
Japanese yen	574,872	3,459	9,239			587,570
Malaysian ringgit.....	291		5			296
Mexican peso	25,207	(236)	70			25,041
New Taiwan dollar			10,308			10,308
New Turkish lira	18,624		11			18,635
Norwegian krone.....	95,583		2,414			97,997
Pound sterling	516,182	25,840	4,915	65,683		612,620
Singapore dollar	33,258		471			33,729
South African rand.....	82,231		5			82,236
South Korean won.....	43,344		6			43,350
Swedish krona	116,949		160			117,109
Swiss franc.....	237,138		619			237,757
Thailand baht.....			44			44
Multiple.....			5	93,437	\$4,611,279	4,704,721
Total	\$3,522,259	\$60,224	\$45,034	\$283,077	\$4,611,279	\$8,521,873

4. Investments - Component Units:

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments and are invested in accordance with the investment policies adopted by the Board of Trustees. In general, endowment resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, asset-backed securities and mutual funds that invest in government securities. The investments of the higher education foundations are not included in the GASB Statement No. 40 disclosures below because the foundations are not required to and do not follow the GASB.

In July 2005, one of the institutions, the University System of Maryland, transferred title to its endowment investments to its foundation in exchange for an equivalent proportionate interest in the long-term investment portfolio managed by the foundation. The agreement is for a term of five years, with renewable two-year extensions at the option of the institution, unless notice of intent to terminate the arrangement is provided prior to the expiration of the term. If the agreement is terminated, funds invested with individual investment managers that have commitments from the foundation to maintain investments for certain minimum time periods may not be returned to the institution until those constraints have been satisfied. For reporting purposes, the foundation's investments have been reduced by the amount of the institution's investments with the foundation.

The Maryland Stadium Authority is restricted by the trust indenture for each bond issue as to the investments which can be made. Authorized investments under the indentures include U.S. Treasury and agency obligations, municipal obligations, banker's acceptances, and repurchase agreements.

Investments of the component units are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2008, for the component units are as follows (amounts expressed in thousands).

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
U.S. Treasury obligations.....	\$ 20,088	\$ 1,905	\$ 5,174	\$ 6,556	\$1,618	\$ 4,835
U.S. Government agency obligations.....	122,960	50,063	38,165	148	5,958	28,626
Bond mutual funds	14,995	14,995				
Corporate debt securities.....	107,697	2,374	24,195	7,528	1,032	72,568
Municipal bonds	6,672	1,445	1,366	1,480	484	1,897
Total.....	\$272,412	\$70,782	\$68,900	\$15,712	\$9,092	\$107,926

In addition to the investments scheduled above, as of June 30, 2008, the component units had investments of \$117,991,000 in money market mutual funds operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. The funds' fair values are based on a share price of \$1.00 per share. In addition, as of June 30, 2008, the component units' investments include the fair value of stock mutual funds, \$185,861,000, corporate equity securities, \$152,821,000, real estate \$7,356,000, and the share of assets invested with the foundation, \$235,461,000.

Interest Rate Risk. The policy of the higher education institutions for managing their exposure to fair value loss arising from increasing interest rates is to comply with their investment policy, which sets maximum maturities for various fixed income securities.

Credit Risk. The policies of the higher education institutions for reducing their exposure to credit risk is to require minimum quality ratings for fixed income securities. The investment policy of the Maryland Prepaid College Trust requires the average rating in each portfolio to be "A" or better. Money market mutual funds and bond mutual funds of the component units are not required to be rated.

As of June 30, 2008, the component units had the following investments and quality ratings (amounts expressed in thousands).

Investment Type	Fair Value	Rating	Rating Organization	Percentage of Total Investments
U.S. agencies	\$122,125	AAA/Aaa	S&P & Moody's	12.55%
U.S. Agencies	835	Not rated		0.09
Money market mutual funds.....	79,344	Aaa	Moody's	8.16
Money market mutual funds.....	38,647	Not rated		3.98
Bond Mutual Funds	14,995	Not rated		1.54
Corporate debt securities.....	33,295	AAA/Aaa	S&P & Moody's	3.43
Corporate debt securities.....	9,525	AA/Aa	S&P & Moody's	0.98
Corporate debt securities.....	16,387	A	S&P & Moody's	1.69
Corporate debt securities.....	19,644	Less than A	Moody's	2.02
Corporate debt securities.....	77	BBB	S&P & Moody's	0.01
Corporate debt securities.....	28,769	Not rated		2.96
Municipal bonds.....	6,672	Aaa	Moody's	0.69
Total	\$370,315			38.10%

Concentration of Credit Risk. The component units place no limit on the amount they may invest in U.S. Government issuers. More than 5% of the component units' investments are in obligations of the Federal Home Loan Mortgage Corporation. These investments are 6.2% of the component units' total investments.

In addition to the Maryland Prepaid College Trust, the College Savings Plans of Maryland includes the Maryland College Investment Plan, a fiduciary component unit. As of June 30, 2008, the Plan has \$1,566,497,000 of investments held in trust for individuals and organizations.

C. Securities Lending Transactions:

1. Governmental and Enterprise Fund Types:

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. Government securities to broker-dealers and other entities (borrowers). The State Treasurer's Office controls the program and authorizes all transactions. These transactions may involve certain investments held in the State treasury for the benefit of State agencies. The State's custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. Additionally, under the terms of the lending agreement, the lending agent indemnifies the State against any credit loss arising from investment of the collateral. The collateral will be returned for the same securities in the future. Cash collateral is initially pledged at greater than the market value of the securities lent and additional cash collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100 percent of the market value of the securities lent.

Securities on loan at year-end are owned by the general fund, the Maryland State Lottery Agency and the Economic Development Loan Programs and are included in the preceding Investments Schedule in 3.B. At year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. As of June 30, 2008, the fair value of the loaned securities and the related collateral were as follows (amounts expressed in thousands).

	Fair Value		Percent Collateralized
	Lent Securities	Collateral Received	
Securities-General fund	\$241,816	\$244,800	101.2%
Securities-Lottery Agency.....	110,754	112,654	101.7
Securities-Economic Development Loan Programs.....	1,230	1,255	102.0
Total	\$353,800	\$358,709	101.4

Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. The duration of lending agreements is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements. Such matching existed at year-end. Investments made with cash received as collateral are included in the preceding Investments-Governmental Funds Schedule in 3.B.1.

The State's custodial bank is obligated to indemnify the State against liability for any suits, actions or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 2008.

2. Fiduciary Funds:

The Pension Trust Funds (Funds) participate in a securities lending program as permitted by the investment policies as approved by the Board of Trustees. The Funds' custodian lends specified securities to independent brokers in return for collateral of greater value. The preceding Investments – Fiduciary Funds Schedule in 3.B.3 includes (1) securities lent at year-end for cash collateral; (2) securities lent for securities collateral; and (3) investments purchased with cash collateral.

Borrowing brokers must transfer in the form of cash or other securities, collateral valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 105% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the lent securities. The Funds have not experienced any loss due to credit or interest rate risk on securities lending activity since inception of the program. As of June 30, 2008, the Funds had no credit risk exposure to borrowers because the fair value of collateral held for securities lent exceeded the fair value of the related securities, as follows (amounts expressed in thousands).

Securities Lent	Fair Value	Cash Collateral Received or Non-Cash Collateral Value	Percent Collateralized
Lent for cash collateral:			
Fixed income securities.....	\$ 488,829	\$ 498,828	102.0%
Domestic equities.....	817,860	841,935	102.9
International equities.....	462,197	485,753	105.1
Subtotal.....	<u>1,768,886</u>	<u>1,826,516</u>	
Lent for noncash collateral:			
Fixed income securities.....	20,167	20,590	102.1
Domestic equities.....	60,304	61,705	102.3
International equities.....	1,494	1,529	102.3
Total securities lent.....	<u>\$1,850,851</u>	<u>\$1,910,340</u>	103.2

Although the average term of the Funds' security loans is one week, each loan can be terminated at will by either the Funds or the borrower. Cash collateral is invested in one of the lending agent's short-term investment pools, which as of June 30, 2008, had a weighted average maturity of 33 days and an average expected maturity of 177.5 days. Because the relationship between the maturities of the investment pools and the Fund's security loans is affected by the maturities of the loans made by other entities that use the agent's pools, the Funds cannot match maturities. The Funds cannot pledge or sell collateral securities received unless and until a borrower defaults.

4. Receivables:

Taxes receivable, as of June 30, 2008, consist of the following (amounts expressed in thousands).

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue		
Income taxes	\$534,456			\$ 534,456
Sales and use taxes	395,054			395,054
Transportation taxes, principally motor vehicle fuel and excise		\$82,432		82,432
Other taxes, principally alcohol and property	54,220		\$15,329	69,549
Less: Allowance for uncollectibles.....	32,488			32,488
Taxes receivable, net.....	<u>\$951,242</u>	<u>\$82,432</u>	<u>\$15,329</u>	<u>\$1,049,003</u>

Tax revenues are reported net of uncollectible amounts. Total uncollectible amounts related to tax revenues of the current period are \$3,864,000.

Other accounts receivable in the governmental funds of \$495,009,000, including \$87,804,000 due in excess of one year, consist of various miscellaneous receivables for transportation costs, collection of bills owed to the State's collection unit, Medicaid reimbursements, and child support and public assistance overpayments and surcharges.

Other accounts receivable for the enterprise funds of \$223,351,000, primarily consist of \$105,550,000 due to the Maryland Unemployment Trust Fund from employers and for benefit overpayments, and \$34,920,000, due to the Maryland State Lottery Agency for lottery ticket sale proceeds.

5. Deferred Revenue:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds, enterprise funds and component units also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of June 30, 2008, the various components of deferred revenue reported in the governmental funds and enterprise funds were as follows (amounts expressed in thousands).

	Unavailable	Unearned	Total
Tax receivables for revenues not considered available to liquidate liabilities of the current period (general fund).....	\$148,694		\$148,694
Other receivables for revenues not considered available to liquidate liabilities of the current period (general fund).....	194,237		194,237
Other receivables for revenues not considered available to liquidate liabilities of the current period (special revenue fund)	38,420		38,420
Other receivables for revenues not considered available to liquidate liabilities of the current period (other governmental funds).....	69		69
Receipts that have been received, but not earned (general fund)		\$20,550	20,550
Revenue in connection with resources that have been received, but not earned (special revenue fund).....		8,347	8,347
Revenue in connection with resources that have been received, but not earned (enterprise funds)		20,276	20,276
Total deferred/unearned revenue for governmental funds and enterprise funds.....	\$381,420	\$49,173	\$430,593

6. Loans and Notes Receivable and Investment in Direct Financing Leases:

A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 2008, consist of the following (amounts expressed in thousands).

	Primary Government				Component Units		
	General	Special Revenue Department of Transportation	Non-major Governmental Funds	Enterprise	Higher Education	Stadium Authority	Other
Notes receivable:							
Political subdivisions:							
Water quality projects.....			\$ 3,795	\$ 862,689			
Construction		\$3,760	24				
Other			545				
Hospitals and nursing homes.....			350				
Permanent mortgage loans				2,938,053			
Student and health profession loans.....					\$80,032		
Shore erosion loans.....			5,653				
Other	\$3,778				6,073	\$3,913	823
Total	3,778	3,760	10,367	3,800,742	86,105	3,913	823
Less: Allowance for possible loan losses.				221,565	12,711		195
Loans and notes receivable, net.....	3,778	3,760	10,367	3,579,177	73,394	3,913	628
Due within one year.....	471	1,116	1,851	122,226	10,449	325	52
Due in more than one year.....	\$3,307	\$2,644	\$ 8,516	\$3,456,951	\$62,945	\$3,588	\$576

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.4% to 8.8% and mature within 26 years.

Water quality project loans consist of loans to various local governments and other governmental entities in the State for wastewater and drinking water projects under the United States Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds' Federal assistance program. The permanent mortgage loans consist of financing for single and multi-family projects, rental projects, small businesses, industrial sites and various other purposes. Student and health profession loans are made pursuant to student loan programs funded through the U.S. Government.

B. Investment in Direct Financing Leases:

Enterprise Funds:

As of June 30, 2008, the Maryland Transportation Authority (Authority) has direct financing leases with the State's Department of Transportation and Washington Metropolitan Area Transit Authority (WMATA). The present value of the direct financing leases as of June 30, 2008, was \$442,476,000. As of June 30, 2008, the Authority held \$41,928,000 to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (expressed in thousands).

2009.....	\$ 45,921
2010.....	46,156
2011.....	46,401
2012.....	46,733
2013.....	46,945
2014-2018	188,031
2019-2023	164,686
2024-2028	139,538
2029-2033	54,221
Total.....	<u>778,632</u>
Less: Unearned interest income	<u>294,228</u>
Net lease payments.....	<u>484,404</u>
Restricted investments related to unexpended bond proceeds	<u>41,928</u>
Net investments in direct financing leases.....	<u>\$442,476</u>

Component Units:

As of June 30, 2008, the Maryland Stadium Authority (Authority) has direct financing leases with the State. The present value of the direct financing leases as of June 30, 2008, is \$258,148,000. As of June 30, 2008, the Authority held \$9,922,000 to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (expressed in thousands).

2009.....	\$ 31,539
2010.....	31,603
2011.....	31,691
2012.....	31,861
2013.....	31,865
2014-2018	137,267
2019-2023	80,116
2024-2028	22,913
Total.....	<u>398,855</u>
Less: Unearned interest income	<u>130,785</u>
Net lease payments.....	<u>268,070</u>
Restricted investments related to unexpended bond proceeds	<u>9,922</u>
Net investments in direct financing leases.....	<u>\$258,148</u>

7. Restricted Assets:

Certain assets of the governmental activities, business-type activities and component units are classified as restricted assets on the Statement of Net Assets. The purpose and amount of restricted assets as of June 30, 2008, are as follows (amounts expressed in thousands).

Amount	Purpose
Governmental Activities:	
\$ 26,004	Represents money restricted for completion of transportation construction projects maintained in a trust account per Certificates of Participation agreements
159	Represents funds transmitted to bond paying agents and restricted for payments for coupons and bonds that have not been presented
8,065	Represents sinking fund deposits restricted for redemption of term bonds
5,653	Consists of Shore Erosion Control Program loans, the repayments of which are restricted by statute for future loans
<u>\$ 39,881</u>	
Business-type Activities:	
\$3,490,116	Assets of the Community Development Administration and the State Funded Loan Programs are restricted for various mortgage loans for low-income housing and local governments' public facilities
778,448	The purpose of the restricted assets is to secure the revenue bonds of the Maryland Water Quality Administration made for waste-water treatment systems and bay restoration
986,316	Restricted assets represent deposits with the U.S. Treasury to pay unemployment compensation benefits in accordance with Federal statute
160,863	This cash is held in separate annuity contracts and coupon bonds in the Maryland State Lottery Agency for winning lottery ticket payouts
932,743	Cash and investments have been restricted in accordance with revenue bond debt covenants of the Maryland Transportation Authority for completion of capital projects, facility operations and debt service
<u>\$6,348,486</u>	
Component Units:	
\$ 150,984	Restricted assets of higher education include funds held by the trustee for future construction projects, cash restricted for endowment purposes and assets associated with student loans and loan repayments
11,545	Restricted assets of Maryland Stadium Authority include cash and cash equivalents and investments that relate to revenue bond indentures
9,561	Restricted assets include investments that relate to revenue bond indentures and to restricted project advances for the provision of water supply and waste-water treatment by the Maryland Environmental Service
<u>\$ 172,090</u>	

8. Interfund Receivables and Payables:

Interfund balances, as of June 30, 2008, consist of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	\$ 9,018 (a)
	Enterprise Funds -	
	Economic Development Loan Programs	1,600 (b)
	Maryland State Lottery Agency	39,418 (a)
	Non-major enterprise funds	1,758 (c)
		<u>\$ 51,794</u>
Special Revenue Fund	General Fund	\$ 63,943 (d)
	Enterprise Funds -	
	Maryland Transportation Authority	35,937 (e)
		<u>\$ 99,880</u>
Non-major Governmental Funds	General Fund	<u>\$ 15,752 (g)</u>
Enterprise Funds –		
Economic Development Loan Programs	General Fund	\$ 37,799 (g)
Unemployment Insurance Program	General Fund	1,632 (g)
Maryland Transportation Authority	Special Revenue Fund	8,728 (f)
		<u>\$ 48,159</u>

The receivable and payable transactions between the Primary Government and Component Units, as of June 30, 2008, consist of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Higher Education Fund	\$ 551
Component Units -		
Higher Education Fund	General Fund	\$ 94
Maryland Stadium Authority	General Fund	3,609
		<u>\$3,703</u>

- (a) The amounts represent monies collected by the special revenue fund and the Maryland State Lottery in June, 2008, and paid to the general fund in July, 2008.
- (b) The amount represents short term advances from the general fund for principal and interest payments.
- (c) The non-major enterprise funds received a loan from the State's general fund to finance the acquisition of the Department of Public Safety's laundry services.
- (d) The amount represents income tax subsidies and return of health insurance costs from the general fund.
- (e) The Maryland Transportation Authority collects fees for the special revenue fund. The money will be used to build and maintain special revenue fund infrastructure, structures and other improvements.
- (f) The Maryland Transportation Authority lent funds to the Special Revenue Fund for a construction project at the Seagirt Marine Terminal. The balance outstanding as of June 30, 2008, was \$8,728,000. Payments will continue for 33 years after completion of the project.
- (g) These amounts represent receivable balances from general fund subsidies.

All interfund balances except for (c) and (f), above, are expected to be repaid by June 30, 2008.

9. Interfund Transfers:

Interfund transfers, for the year ended June 30, 2008, consist of the following (amounts expressed in thousands).

Transfers In	Transfers Out	Amount
General Fund	Special Revenue Fund	\$ 93,921
	Non-major Governmental Funds	10,007
	Enterprise Funds -	
	Maryland State Lottery Agency	529,404
	Economic Development Loan Programs	3,996
	Unemployment Insurance Program	11,390
		<u>\$648,718</u>
Special Revenue Fund	General Fund	<u>\$190,761</u>
Non-major Governmental Funds	General Fund	\$221,969
	Special Revenue Fund	118,987
		<u>\$340,956</u>
Enterprise Funds -		
Loan Programs	General Fund	\$ 28,025
	Non-major Governmental Funds	2,829
	Non-major Enterprise Funds	10,000
Maryland Transportation Authority	Special Revenue Fund	36,000
		<u>\$ 76,854</u>

Transfers are primarily used to 1) transfer revenues from the fund required by statute or budget to collect the revenue to the fund required by statute or budget to expend them, 2) transfer receipts restricted to debt service from the funds collecting the receipts to the non-major governmental funds as debt service payments become due, and 3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, the non-major governmental funds transferred \$6,286,000 of interest earned on bonds, \$415,000 for expenses for bond sales, \$1,934,000 return of funds for rescinded pay-as-you-go capital projects, \$172,000 of Shore Erosion loan repayments and \$1,200,000 for program open space park service operations to the general fund. The general fund transferred \$29,349,000 for redemptions and interest on state bonds, \$173,401,000 for program open space capital projects, \$7,122,000 for improvements at Maryland veteran cemeteries, and \$11,810,000 for other capital projects, primarily public school construction, to the non-major governmental funds. The special revenue fund transferred \$118,987,000 for redemptions and interest on transportation bonds.

The Maryland State Lottery transferred revenue in excess of funds allocated to prize awards, operating expenses and capital expenditure payments in the amount of \$529,404,000, to the general fund. The general fund transferred \$28,025,000 to support the operations of

Enterprise Funds – Loan Programs, and the Enterprise Funds – Loan Programs transferred \$3,996,000 of unused funds to the general fund. The Unemployment Insurance Program transferred \$11,390,000 of unused proceeds to the general fund. The special revenue fund also transferred \$36,000,000 to the Enterprise Fund – Maryland Transportation Authority for design, planning and land purchases for the Inter-County Connector Project. Expenditures for capital projects of \$2,829,000 were transferred to Enterprise Funds – Loan Programs. The non-major enterprise funds transferred \$10,000,000 to the Economic Development Loan Funds to provide additional funding for Homeownership Programs, Affordable Rental Housing and Special Loan Programs to low and moderate income families.

During the year, the general fund and other governmental funds had expenditures of \$1,581,016,000 and \$270,363,000 respectively, that were for funds provided to supplement revenues and construction costs, respectively, of the higher education component units. The general fund also had net expenditures of \$19,100,000 that were for funds provided to supplement revenues of the Maryland Stadium Authority. The general fund transferred \$28,026,000 to the non-major component unit, the Maryland Technology Development Corporation, for stem cell research and other operating grants.

10. Capital Assets:

A. Capital Assets, Primary Government:

Capital assets activity by asset classification net of accumulated depreciation, for the year ended June 30, 2008, was as follows (amounts expressed in thousands).

Governmental activities:					
Classification	Balance June 30, 2007	Additions	Deletions	Transfers In (Out)	Balance June 30, 2008
Capital assets, not being depreciated,					
Land and improvements	\$ 2,774,673	\$ 93,317	\$ 5,008	\$ 14,351	\$ 2,877,333
Art and historical treasures	27,795				27,795
Construction in progress	2,751,603	885,063	35,940	(384,873)	3,215,853
Total capital assets, not being depreciated	<u>5,554,071</u>	<u>978,380</u>	<u>40,948</u>	<u>(370,522)</u>	<u>6,120,981</u>
Capital assets, being depreciated,					
Structures and improvements	5,369,065	178,328	7,065	126,656	5,666,984
Equipment	2,325,169	130,540	31,436	29,918	2,454,191
Infrastructure	15,602,578	411,590	88,753	213,948	16,139,363
Total capital assets, being depreciated	<u>23,296,812</u>	<u>720,458</u>	<u>127,254</u>	<u>370,522</u>	<u>24,260,538</u>
Less accumulated depreciation for,					
Structures and improvements	1,986,119	155,684	3,379		2,138,424
Equipment	1,523,400	154,089	29,073		1,648,416
Infrastructure	7,160,052	632,414	9,860		7,782,606
Total accumulated depreciation	<u>10,669,571</u>	<u>942,187</u>	<u>42,312</u>		<u>11,569,446</u>
Total capital assets, net	<u>\$18,181,312</u>	<u>\$756,651</u>	<u>\$125,890</u>	<u>\$ –</u>	<u>\$ 18,812,073</u>
Business-type activities:					
Classification	Balance June 30, 2007	Additions	Deletions		Balance June 30, 2008
Capital assets, not being depreciated,					
Land and improvements	\$ 253,238	\$ 51,824			\$ 305,062
Construction in progress		557,194			557,194
Total capital assets, not being depreciated	<u>253,238</u>	<u>609,018</u>			<u>862,256</u>
Capital assets, being depreciated,					
Structures and improvements	50,953	6,426			57,379
Equipment	35,816	3,059	\$ 172		38,703
Infrastructure	2,629,363		19,185		2,610,178
Total capital assets, being depreciated	<u>2,716,132</u>	<u>9,485</u>	<u>19,357</u>		<u>2,706,260</u>
Less accumulated depreciation for,					
Structures and improvements	27,085	2,950			30,035
Equipment	24,722	1,944	172		26,494
Infrastructure	1,052,383	31,673			1,084,056
Total accumulated depreciation	<u>1,104,190</u>	<u>36,567</u>	<u>172</u>		<u>1,140,585</u>
Total capital assets, net	<u>\$1,865,180</u>	<u>\$581,936</u>	<u>\$19,185</u>		<u>\$2,427,931</u>

B. Depreciation Expense, Primary Government:

The depreciation expense for the year ended June 30, 2008, for the primary government was charged as follows (amounts expressed in thousands).

Governmental activities:	
Function	Amount
General government	\$ 33,857
Education	6,412
Human resources	9,870
Health and mental hygiene	7,642
Environment	418
Public safety	39,154
Housing and community development	785
Natural resources and recreation	16,075
Transportation	813,835
Agriculture	11,058
Labor, licensing and regulation	428
Judicial	2,653
Total depreciation expense – governmental activities	\$942,187
Business-type activities:	
Function	Amount
State Lottery	\$ 628
Transportation Authority	34,561
Maryland Correctional Enterprises	1,351
Economic Development Loan Programs	27
Total depreciation expense – business type activities	\$36,567

11. Long-Term Obligations:

A. Governmental Activities:

Changes in governmental activities' long-term debt, for the year ended June 30, 2008, are as follows (amounts expressed in thousands).

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
Bonds and Notes Payable:					
General obligation bonds	\$5,142,154	\$ 779,986	\$428,310	\$5,493,830	\$464,725
Transportation bonds	1,111,050	226,755	68,990	1,268,815	76,210
Deferred amounts:					
Issuance premiums	420,884	64,662	46,865	438,681	
On refunding	(57,247)		(11,294)	(45,953)	
Total bonds and notes payable	6,616,841	1,071,403	532,871	7,155,373	540,935
Other Liabilities:					
Compensated absences	277,923	180,445	181,996	276,372	182,315
Self insurance costs	304,648	889,072	876,021	317,699	113,499
Escheat property	43,937	43,151	52,081	35,007	29,800
Net pension obligation	646,040	153,975		800,015	
Net other post employment benefits obligation		695,921		695,921	
Obligations under capital leases	535,482	26,681	47,029	515,134	48,783
Obligations under capital leases with component units	278,265	4,504	17,002	265,767	16,934
Other long-term liabilities	391,029	102	22,295	368,836	19,625
Total other liabilities	2,477,324	1,993,851	1,196,424	3,274,751	410,956
Total long-term liabilities- governmental activities	\$9,094,165	\$3,065,254	\$1,729,295	\$10,430,124	\$951,891

General Obligation Bonds -

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, facilities for institutions of higher education and the construction of public schools in political subdivisions. Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes loans for particular objects or purposes. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller and the State Treasurer, by resolution, authorizes the issuance of bonds in specified amounts. Bonds are issued and accounted for on a "cash flow" basis rather than a "project" basis and are not sold to specifically fund an enabling act. General obligation bonds are subject to arbitrage regulations. However, there are no major outstanding liabilities in connection with these regulations as of June 30, 2008. Bonds issued after January 1, 1988, are subject to redemption provisions at the option of the State.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, must be fully paid within 15 years from the date of issue. Property taxes, debt service fund loan repayments and general fund and capital projects fund appropriations provide the resources for repayment of general obligation bonds. During fiscal year 2008, the State issued \$779,986,000 of general obligations at a premium of \$42,024,000 with related issuance costs of \$2,669,000.

Refunded bonds of \$260,160,000 maturing in fiscal years 2011-2016 and callable in fiscal years 2009-2011 were considered defeased as of June 30, 2008. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements.

General obligation bonds issued and outstanding, as of June 30, 2008, are as follows (amounts expressed in thousands).

Issue	Maturity	Interest Rates	Annual Principal Installments	Principal Issued	Principal Outstanding
8/14/97	2001-2013	4.8-5.0 %	\$ 20,855	\$ 250,000	\$ 20,855
3/5/98	2001-2013	4.5-5.0	20,855	250,000	20,855
7/22/98	2002-2014	5.0-5.3	19,860-20,855	250,000	40,715
3/11/99	2002-2014	4.0-4.5	17,835-20,295	225,000	76,190
7/29/99	2003-2015	4.3-5.3	9,490-10,345	125,000	29,745
8/3/00	2004-2016	5.1-5.8	14,340-16,745	200,000	62,085
3/8/01	2004-2016	4.0-5.5	14,355-20,535	200,000	138,290
7/26/01	2005-2017	5.0-5.5	13,725-20,285	200,000	151,335
11/21/01	2016	0(b)	18,098	18,098	18,098
3/21/02(a)	2003-2017	4.0-5.5	13,900-31,050	309,935	166,665
8/15/02(a)	2003-2018	3.0-5.5	16,000-60,095	515,830	247,890
3/6/03(a)	2006-2018	5.0-5.3	34,540-57,480	586,120	431,230
8/5/03	2007-2019	5.0	30,970-50,815	500,000	440,940
8/10/04	2008-2020	5.0	23,545-40,820	400,000	377,600
10/21/04 (a)	2005-2016	5.0	18,495-108,620	574,655	456,065
11/30/04	2020	0 (b)	9,043	9,043	9,043
3/17/05 (a)	2006-2020	4.0-5.3	20,745-105,235	631,185	596,865
8/11/05	2009-2021	4.3-5.0	28,215-43,820	450,000	450,000
3/23/06	2009-2021	4.0-5.0	20,060-27,955	300,000	300,000
8/10/06	2010-2022	4.3-5.0	20,330-34,870	350,000	350,000
12/20/06	2022	0 (b)	4,378	4,378	4,378
3/15/07	2010-2022	5.0	18,520-31,975	325,000	325,000
8/16/07	2011-2023	5.0	21,000-38,265	375,000	375,000
12/18/07	2023	0 (b)	4,986	4,986	4,986
3/12/08	2011-2023	4.0-5.0	22,585-40,555	400,000	400,000
				<u>\$7,454,230</u>	<u>\$5,493,830</u>

(a) Includes refunding debt

(b) Qualified Zone Academy Bonds are non-interest bearing.

General obligation bonds authorized, but unissued, as of June 30, 2008, total \$2,063,853,000.

As of June 30, 2008, general obligation debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2009	\$ 464,725	\$ 268,513
2010	482,290	245,525
2011	514,670	221,191
2012	492,330	194,997
2013	471,325	170,040
2014-2018.....	2,035,243	513,472
2019-2023.....	1,033,247	101,604
Total	<u>\$ 5,493,830</u>	<u>\$1,715,342</u>

Subsequent to June 30, 2008, on July 28, 2008, general obligation bonds aggregating \$415,000,000 were issued for capital improvements. The interest rate on the new issue is 5.0%, and the bonds mature serially through 2024.

Transportation Bonds -

Transportation bonds outstanding as of June 30, 2008, are as follows (amounts expressed in thousands).

	Outstanding
Consolidated Transportation Bonds – 3.0% to 5.3%, due serially through 2023 in annual installments of original principal ranging from \$13,000 to \$112,100	\$1,176,455
Consolidated Transportation Bonds, Refunding – 4.0% to 5.0%, due serially through 2014 in annual installments of original principal ranging from \$8,040 to \$26,890	92,360
Total.....	\$1,268,815

Consolidated Transportation Bonds are limited obligations issued by the Maryland Department of Transportation (Department) for highway, port, airport, rail, or mass transit facilities, or any combination of such facilities. The principal must be paid within 15 years from the date of issue.

As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year, that does not exceed \$2,600,000,000 through June 30, 2008, and thereafter. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2008, was \$1,497,060,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2008, was \$1,268,815,000. Consolidated Transportation Bonds are paid from the transportation debt service fund. Principal and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute and a portion of the corporate income tax credited to the Department. These amounts are available to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payment.

Under the terms of the authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (1) total receipts (excluding Federal funds for capital projects, bond and note proceeds, and other receipts not available for debt service), less administration, operation and maintenance expenses for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and that (2) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

The 2007 session of the General Assembly established a maximum outstanding principal amount of \$726,200,000 as of June 30, 2008, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond (tax-exempt debt backed by annual federal appropriations for federal-aid transportation projects). This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department. As of June 30, 2008, the Department's nontraditional debt outstanding was \$740,608,000 and is reported as obligations under capital leases and other long-term liabilities and includes funds held by the bond trustee under these agreements.

Arbitrage regulations are applicable to the transportation bonds payable. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2008.

During fiscal year 2008, the Department issued \$226,755,000 of Consolidated Transportation Bonds at a premium of \$22,638,000.

Refunded bonds of \$46,500,000 were considered defeased as of June 30, 2008. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements.

As of June 30, 2008, Department bond debt service requirements for principal and interest in future years are as follows (amounts expressed in thousands).

Years Ending June 30,	Consolidated Transportation Bonds	
	Principal	Interest
2009	\$ 76,210	\$ 60,519
2010	77,595	57,284
2011	83,170	53,838
2012	95,045	49,960
2013	98,740	45,459
2014-2018	591,200	146,411
2019-2023	246,855	30,241
Total	\$1,268,815	\$443,712

Obligations Under Capital Leases -

Obligations under capital leases as of June 30, 2008, bore interest at annual rates ranging from 1.7% to 5.9%. Capital lease obligations with third parties in fiscal year 2008 increased by \$26,681,000 for master equipment and building leases entered into by the general fund and leases for various transportation related projects entered into by the Maryland Department of Transportation. The capital leases with component units include the general fund's capital leases with the Maryland Stadium Authority, which are being paid with the net proceeds transferred from certain Lottery games, and with other non-major component units. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2008 (amounts expressed in thousands).

Years Ending June 30,	Capital Lease Obligations with	
	Third Parties	Component Units
2009	\$72,027	\$33,771
2010	64,246	33,823
2011	54,779	34,087
2012	48,475	33,248
2013	42,394	32,986
2014-2018	181,100	139,722
2019-2023	147,786	80,116
2024-2028	103,367	22,913
2029-2033	40,287	
Total future minimum payments.....	754,461	410,666
Less: Amount representing interest.....	239,327	132,544
Less: Restricted cash and investments.....		12,355
Present value of net minimum payments....	\$515,134	\$265,767

The reduction shown for restricted cash and investments in the amount of \$12,355,000 is monies held by the bond trustee to be used primarily for construction expenditures.

The assets acquired through capital leases are as follows (amounts expressed in thousands).

Asset	Third Parties
	Amount
Construction in progress.....	\$ 15,281
Land and improvements	11,814
Buildings and improvements.....	636,157
Machinery and equipment.....	304,938
Infrastructure.....	67,580
Total acquired assets.....	1,035,770
Less: Accumulated depreciation	275,983
Total capital assets - net.....	\$ 759,787

Other Liabilities -

The Maryland Department of Transportation has entered into several financing agreements, primarily with the Maryland Transportation Authority, for the financing of various transportation related projects, similar in nature to capital leases. The Department has obligations under other long-term liabilities of \$368,836,000 as of June 30, 2008, bearing interest at annual rates ranging from 2.7% to 6.7%. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2008 (amounts expressed in thousands).

Years Ending June 30,	Other Liabilities
2009	\$39,363
2010	40,115
2011	40,362
2012	40,705
2013	40,929
2014-2018	157,782
2019-2023	139,548
2024-2028	117,896
2029-2033	44,107
Total future minimum payments	660,807
Less: Amount representing interest	251,901
Less: Funds held by bond trustee.....	40,070
Present value of net minimum payments	\$368,836

The reduction shown for restricted cash and investments in the amount of \$40,070,000 is monies held by the bond trustee on behalf of the Maryland Transportation Authority to be used primarily for construction expenditures.

The assets acquired through other long-term liabilities are as follows (amounts expressed in thousands).

Asset	Amount
Construction in progress	\$ 16,889
Buildings and improvements	363,100
Machinery and equipment	7,867
Infrastructure	<u>247,231</u>
Total acquired assets	635,087
Less: Accumulated depreciation.....	<u>73,906</u>
Total capital assets – net.....	<u>\$561,181</u>

For the governmental activities, compensated absences, self insurance, escheat property claim payments, net pension obligations, net other post-employment benefits obligations, obligations under capital leases and other liabilities are generally liquidated by the general or special revenue fund as applicable.

B. Long Term Obligations – Business-type Activities:

Changes in long-term obligations for business-type activities as of June 30, 2008, are as follows (amounts expressed in thousands).

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
Bonds Payable:					
Revenue bonds payable	<u>\$4,140,383</u>	<u>\$1,468,598</u>	<u>\$567,642</u>	<u>\$5,041,339</u>	<u>\$186,801</u>
Other Liabilities:					
Lottery prizes	170,055	12,309	37,974	144,390	32,502
Escrow deposits	50,705	10,141	18,768	42,078	7,188
Rebate liability	11,101	2,868	1,303	12,666	2,032
Compensated absences	9,416	2,208	1,511	10,113	2,421
Self insurance costs	6,575	3,793	2,005	8,363	1,295
Obligations under capital leases.....	1,124		476	648	490
Total other liabilities.....	<u>248,976</u>	<u>31,319</u>	<u>62,037</u>	<u>218,258</u>	<u>45,928</u>
Total long-term liabilities-business type activities.....	<u>\$4,389,359</u>	<u>\$1,499,917</u>	<u>\$629,679</u>	<u>\$5,259,597</u>	<u>\$232,729</u>

Debt service requirements for business-type activities' notes payable and revenue bonds to maturity are as follows (amounts expressed in thousands).

Years Ending June 30,	Community Development Administration		Maryland Water Quality Financing Administration		Maryland Transportation Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2009.....	\$ 122,230	\$ 133,292	\$ 15,125	\$ 5,569	\$ 49,446	\$ 81,323
2010.....	74,745	129,576	13,915	6,076	51,123	86,284
2011.....	83,035	126,331	14,465	5,499	52,960	84,337
2012.....	82,415	123,019	15,660	4,890	55,033	82,286
2013.....	82,905	119,554	13,400	4,240	67,003	79,887
2014-2018	432,044	543,594	39,535	14,957	363,820	348,687
2019-2023	346,270	453,090	35,975	7,157	258,540	266,272
2024-2028	324,200	369,204	7,685	535	265,745	200,488
2029-2033	462,740	280,075			246,585	134,488
2034-2038	542,210	171,471			226,980	74,084
2039-2043	276,805	67,787			193,535	18,291
2044-2048	112,780	8,715				
2049-2053	1,940	85				
Total.....	<u>2,944,319</u>	<u>2,525,793</u>	<u>155,760</u>	<u>48,923</u>	<u>1,830,770</u>	<u>1,456,427</u>
Discounts, premiums and other deferred costs.....	26,899		5,512		31,424	
Accumulated accreted interest					<u>46,655</u>	
Total.....	<u>\$2,971,218</u>	<u>\$2,525,793</u>	<u>\$161,272</u>	<u>\$48,923</u>	<u>\$1,908,849</u>	<u>\$1,456,427</u>

Community Development Administration (Administration) - Revenue Bonds:

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, proceeds of which were used for various mortgage loan programs. Assets aggregating approximately \$3,489,271,000 and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 1.9% to 6.8%, with the bonds maturing serially through June, 2049. The principal amount outstanding as of June 30, 2008, is \$2,971,218,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at rates ranging from 100% to 102% of the outstanding principal amount. During fiscal year 2008, the Administration issued \$454,965,000 of revenue bonds with interest rates ranging from 2.2% to 6.6% and maturing serially through June, 2049.

The Administration issues short-term tax-exempt bonds to preserve its allocation of the state volume ceiling until the issuance of long-term bonds to finance mortgages. In fiscal year 2008, the Administration issued 2007 Series L, which is still outstanding as of June 30, 2008. Bonds of 2006 Series M, N, Q and R were issued in fiscal year 2007 and either were redeemed prior to maturity or matured in fiscal year 2008.

The short-term debt that was issued in fiscal year 2008 was in the Residential Revenue Bond Program Fund.

Short-term debt activity during fiscal year 2008 is as follows (amounts expressed in thousands).

Outstanding short-term debt as of June 30, 2007	\$300,000
Issuance	30,000
Retirements.....	(300,000)
Outstanding short-term debt as of June 30, 2008	\$ 30,000

This amount of short-term debt is included in the restricted revenue bonds payable on the Statement of Net Assets.

Subsequent to June 30, 2008, the Administration issued a total of \$161,380,000 and redeemed a total of \$22,460,000, of revenue bonds.

Interest Rate Swaps:

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Administration entered into interest rate swaps in connection with variable rate revenue bonds totaling \$262,415,000. The intention of the swaps was to effectively change the Administration's variable interest rate on the bonds to fixed rates.

Terms. The bonds and the related swap agreements mature from September 1, 2025 through September 1, 2043, and the swaps' notional amount of \$262,415,000 matches the amount of the variable rate bonds. Under the swap agreements, the Administration pays the counterparty a fixed payment of from 3.9% to 5.7% and receives a variable payment computed as either 64% of the London Interbank Offered Rate (LIBOR) plus .3% or 100% of LIBOR. Conversely, the bonds' variable rate is based on the Securities Industry and Financial Markets Association Rate.

Fair value. Because interest rates have generally decreased since execution of the swaps, the swaps have a fair value of (\$11,155,000) as of June 30, 2008. The swaps' fair value may be countered by a decrease in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the Administration's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value of the swaps is based on market value and is affirmed by an independent advisor who used valuation methods and assumptions in accordance with GASB Technical Bulletin No. 2003-1.

Credit risk. The fair value of the swaps represents the Administration's credit exposure to each counterparty as of June 30, 2008. The fair value of three swaps with one counterparty is (\$3,415,000), the fair value of two swaps with a second counterparty is (\$2,825,000), and the fair value of two swaps with a third counterparty is (\$4,915,000). Therefore, the Administration is not exposed to credit risk as of June 30, 2008, because the swaps have a negative fair value. However, should the valuation of the swap change and the fair value turn positive, the Administration would be exposed to credit risk in the amount of the swap's fair value. The first counterparty is rated AAA by Standard & Poor's and Aaa by Moody's, the second counterparty is rated AA by Standard & Poor's and Fitch and Aa by Moody's, and the third counterparty is rated Aaa by Moody's and AAA by Standard & Poor's and Fitch. To mitigate the potential for credit risk, if the counterparties' credit quality falls below A, the fair value of the swaps will be fully collateralized by the counterparties.

Basis risk. The swaps would expose the Administration to basis risk should the relationship between LIBOR and the Securities Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

Termination risk. The Administration or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. If a swap is terminated, the underlying variable rate bonds may be exposed to rising interest rates. If at the time of such termination a swap has a negative fair value, the Administration would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Swap payments and associated debt. Using rates as of June 30, 2008, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (amounts expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Years Ending June 30,	Hedged Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2009.....	\$ 1,445	\$ 6,198	\$ 6,836	\$ 14,479
2010.....		5,697	6,909	12,606
2011.....		5,697	6,613	12,310
2012.....		5,710	6,255	11,965
2013.....		5,684	5,947	11,631
2014-2018		28,486	25,477	53,963
2019-2023		28,486	18,997	47,483
2024-2028	2,825	28,477	15,485	46,787
2029-2033	139,570	23,021	12,523	175,114
2034-2038	60,735	9,097	6,710	76,542
2039-2043	27,965	4,644	1,134	33,743
2044-2048	29,875	390		30,265
Total.....	\$262,415	\$151,587	\$112,886	\$526,888

On August 14, 2008, the Administration entered into an interest rate swap with a notional amount of \$50,000,000. This agreement, a synthetic fixed rate contract, will hedge \$50,000,000 of 2008 Series D variable rate bonds issued on September 4, 2008.

Maryland Water Quality Financing Administration (Administration) - Revenue Bonds:

The Administration, an agency of the Department of Environment, has issued revenue bonds for providing loans and grants. Interest rates range from 3.3% to 6.6%, payable semiannually, with annual installments from \$2,625,000 to \$12,920,000 to March 1, 2025. The principal amount outstanding as of June 30, 2008, is \$161,272,000. These bonds are payable solely from the revenue, money or property of the Administration. During fiscal year 2008, the Administration issued \$47,940,000 in Revolving Loan Fund Revenue Bonds Series 2008A with an interest rate of 4.1% due serially through March 2025 and \$50,000,000 in Bay Restoration Revenue Bonds Series 2008 with an interest rate of 4.1% due serially through March 2023.

Maryland Transportation Authority Bonds:

Bonds outstanding as of June 30, 2008, are as follows (amounts expressed in thousands).

Series 1992 Capital appreciation refunding and financing revenue bonds for the Authority's Transportation Facilities Projects maturing in annual installments of original principal ranging from \$720 to \$5,781 from July 1, 2008, to July 1, 2015, with approximate yield to maturity of 6.3% to 6.4% and an accreted amount	\$ 74,496
BWI Consolidated Car Rental Facility Revenue bonds, Series 2002a, maturing in annual installments ranging from \$1,935 to \$8,505 from July 1, 2008, to July 1, 2032, with interest rates ranging from 2.8% to 6.7%, payable semiannually	109,825
BWI Parking Garage Revenue Bonds, Series 2002b, maturing in annual installments ranging from \$8,590 to \$17,470 from March 1, 2009, to March 1, 2027, with interest rates ranging from 4.0% to 5.3% payable semiannually	238,180
BWI Facilities Projects Bonds, Series 2003, maturing in annual installments ranging from \$9,100 to \$11,200 from March 1, 2009, to March 1, 2014, with a current variable rate of 1.7%. Payable semiannually	60,900
WMATA Metrorail Parking Projects Bonds, Series 2004, maturing in annual installments ranging from \$1,105 to \$2,780 from March 1, 2009, to March 1, 2029, with interest rates ranging from 3.0% to 5.0%, payable semiannually	37,890
Series 2004 Revenue bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$1,045 to \$15,235 from July 1, 2008, to July 1, 2032, with interest rates ranging from 4.5% to 5.3% payable semiannually, and term bonds maturing July 1, 2034, with an interest rate of 5.0%	159,000
Calvert Street Parking Project Revenue bonds, Series 2005, maturing in annual installments ranging from \$600 to \$1,415 from July 1, 2008 to July 1, 2032, with interest rates ranging from 3.3% to 4.4% payable semiannually	23,175
Grant and Revenue Anticipation Bonds, Series 2007 (GARVEE bonds), maturing in annual installments ranging from \$21,290 to \$34,390 from March 1, 2009 to March 1, 2019, at an interest rate of 4.0%, payable semiannually to finance the Intercounty Connector Highway Project	300,655
Series 2007 Revenue bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$1,025 to \$12,685 from July 1, 2012, to July 1, 2031, with interest rates ranging from 4.0% to 5.0% payable semiannually, and term bonds maturing July 1, 2037 and 2041 with an interest rate of 4.6%	300,000
Series 2008 Revenue bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$8,885 to \$31,070 from July 1, 2012 to July 1, 2038, with interest rates ranging from 4.8% to 5.1% payable semiannually, and term bonds maturing July 1, 2041 with an interest rate of 5.0%	573,304
Unamortized premium	31,424
Total	\$1,908,849

Revenue bonds are payable solely from the revenues of the transportation facilities projects. Capital assets constructed from BWI facilities, WMATA Metrorail and the Calvert Street Parking Project are not capital assets of the Authority. Capital appreciation bonds payable as of June 30, 2008, include an accreted amount of \$46,655,000.

Refunded debt of \$59,140,000 was considered defeased as of June 30, 2008. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

The Authority is authorized to issue Grant and Revenue Anticipation Bonds (GARVEE Bonds) to a maximum amount of \$750,000,000 to be used by the Maryland Department of Transportation to build the Intercounty Connector (ICC) highway project to be built in Montgomery and Prince George's Counties, Maryland. Debt service on these bonds is payable from a portion of Maryland's future Federal highway aid and other pledged moneys. As of June 30, 2008, GARVEE bonds in the amount of \$325,000,000 have been issued. These bonds are not general obligations of the Authority or legal obligations of the Maryland Department of Transportation or the State.

Obligations Under Capital Leases -

Obligations of business-type activities under capital leases as of June 30, 2008, are as follows (amounts expressed in thousands).

Years Ending June 30,	State Lottery Agency
2009	\$506
2010	67
2011	67
2012	33
Total minimum lease payments	673
Less: Imputed interest	25
Present value of net minimum lease payments	\$648

The Lottery has entered into lease agreements for certain on-line gaming system equipment and a computer system. As of June 30, 2008, assets acquired under leases and the related accumulated amortization totaled \$2,294,000 and \$1,194,000, respectively, and are included in capital assets in the Statement of Net Assets, Business-type Activities.

C. Notes and Revenue Bonds Payable - Component Units:

Higher Education -

Certain State higher education institutions have issued revenue bonds for the acquisition and renovation construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. Interest rates range from 2.0% to 6.1% on the revenue bonds.

Debt service requirements to maturity, excluding debt of the foundations in the amount of \$4,924,000, are as follows (amounts expressed in thousands).

Years Ending June 30,	Notes Payable and Other Long-Term Debt		Revenue Bonds	
	Principal	Interest	Principal	Interest
2009.....	\$ 2,658	\$ 3,795	\$ 71,604	\$ 45,474
2010.....	2,815	3,664	70,333	43,465
2011.....	2,967	3,525	68,020	40,418
2012.....	3,108	3,378	70,390	36,128
2013.....	3,262	3,204	60,460	33,238
2014-2018	6,774	14,483	292,845	123,749
2019-2023	50,385	7,424	238,695	54,476
2024-2028			90,250	13,937
2029-2033			15,860	2,195
2034-2038			1,155	139
Total	71,969	39,473	979,612	393,219
Accumulated accreted interest and other deferred costs.....			29,486	
Total	\$71,969	\$39,473	\$1,009,098	\$393,219

The bonds issued are the debt and obligation of the issuing higher education institutions and are not a debt and obligation of, or pledge of, the faith and credit of the State.

As of June 30, 2008, higher education institutions have defeased debt outstanding of \$246,313,000 resulting from the refunding of previously issued debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements.

As of June 30, 2008, cash and cash equivalents and investments were held by the trustees for the higher education institutions in the amount of \$120,642,000 for the University System of Maryland (System), \$2,067,000 for St. Mary's College of Maryland, and \$5,772,000 for Morgan State University, respectively.

On June 26, 2008, the System issued \$90,000,000 of 2008 Series A Revenue Bonds to finance new educational and auxiliary facilities and for renovations. The bonds bear interest at 4%-5%. The bonds mature from 2009 until 2028. The bonds were issued with a \$2,323,000 premium.

Obligations under capital leases of \$10,825,000 exist as of June 30, 2008, bearing interest at annual rates ranging from 2.8% to 6.8%.

Maryland Stadium Authority (Authority) - Revenue Bonds:

Debt service requirements to maturity for Maryland Stadium Authority revenue bonds and notes payable are as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2009.....	\$ 15,557	\$ 16,378
2010.....	16,580	15,473
2011.....	17,650	14,491
2012.....	18,815	13,496
2013.....	20,066	12,249
2014-2018.....	96,987	42,528
2019-2023.....	65,425	14,691
2024-2026.....	20,490	2,422
Total	271,570	131,728
Unamortized discount net of unamortized premium	(13)	
Total	\$271,557	\$131,728

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, convention center expansions in Baltimore City and the Town of Ocean City and certain other facilities. The outstanding debt is to be repaid through capital lease payments from the State, as the State has entered into capital lease arrangements for the use of the facilities financed with the debt proceeds.

As of June 30, 2008, the Authority had outstanding revenue bonds for the construction, renovation and expansion of certain facilities as follows (amounts expressed in thousands).

Facility	Outstanding Amount	Interest Rates	Maturity Date
Baseball Stadium	\$113,648	Variable	December 15, 2019
Football Stadium	71,139	Variable	March 1, 2026
Baltimore City Convention Center	28,385	Variable	December 15, 2014
Ocean City Convention Center.....	9,644	4.8% to 5.4%	December 15, 2015
Hippodrome Performing Arts Center.....	17,064	5.0% to 6.3%	June 15, 2022
Montgomery County Conference Center.....	19,817	2.0% to 5.0%	June 15, 2024
Camden Station	8,360	3.0% to 5.2%	December 15, 2024
Camden Yards Complex.....	3,500	5.6%	January 1, 2018
Total.....	\$271,557		

12. Insurance:

The self-insurance liabilities represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

All funds, agencies and authorities of the State participate in the self-insurance program (Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program's liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Non-incremental claims adjustment expenses have been included as part of the liability for claims and adjustments for the general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities. Liabilities for incurred workers' compensation losses to be settled

by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The workers' compensation and property and casualty costs are based upon separately determined actuarial valuations for the following fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during fiscal year 2008 were as follows (amounts expressed in thousands).

	Balance June 30, 2007	Claims and Changes in Estimates	Claim Payments	Balance June 30, 2008	Amount Due Within One Year
Property, casualty and general liability	\$ 16,176	\$ 7,783	\$ 7,625	\$ 16,334	\$ 5,138
Workers' compensation	252,184	74,566	57,247	269,503	41,773
Employee health benefits.....	74,125	818,311	819,478	72,958	72,958
Total self-insurance costs	<u>\$342,485</u>	<u>\$900,660</u>	<u>\$884,350</u>	<u>\$358,795</u>	<u>\$119,869</u>

As of June 30, 2008, the Program held \$337,216,000 in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 2007 were as follows (amounts expressed in thousands).

	Balance June 30, 2006	Claims and Changes in Estimates	Claim Payments	Balance June 30, 2007	Amount Due Within One Year
Property, casualty and general liability	\$ 16,372	\$ 7,646	\$ 7,842	\$ 16,176	\$ 5,650
Workers' compensation	242,993	55,465	46,274	252,184	39,089
Employee health benefits.....	66,903	768,958	761,736	74,125	74,125
Total self-insurance costs	<u>\$326,268</u>	<u>\$832,069</u>	<u>\$815,852</u>	<u>\$342,485</u>	<u>\$118,864</u>

As of June 30, 2007, the Program held \$377,985,000, in cash and investments designated for payments of these claims.

13. Fund Equity:

The unrestricted deficit for governmental activities on the government-wide statement of net assets is \$2,273,983,000. This occurs because the State incurs debt for the purposes of capital acquisition and construction on behalf of local governments and private organizations. Since the incurrence of this debt does not result in capital assets of the State, the debt is not reflected in the net asset category, invested in capital assets, net of related debt, but rather in the unrestricted net assets category. As of June 30, 2008, the State has reported outstanding general obligation bonds and capital leases applicable to these non-State projects of \$3,748,514,000. Without State financing for these capital assets, the State would have reported unrestricted net assets of governmental activities in the amount of \$1,474,531,000.

The statement of net assets for the primary government reports \$2,509,818,000 of restricted net assets, including \$18,418,000 restricted by enabling legislation.

A portion of the general fund's fund balance, in the amount of \$720,298,000 as of June 30, 2008, has been reserved for the State Reserve Fund. The State Reserve Fund is comprised of the Dedicated Purpose Account, Economic Development Opportunities Program Account, Catastrophic Event Account and the Revenue Stabilization Account with balances as of June 30, 2008, of \$22,000,000, \$5,148,000, \$8,398,000, and \$684,752,000, respectively. The Dedicated Purpose Account is designed to retain appropriations for major multi-year expenditures and to meet contingency requirements. The Economic Development Opportunities Program Account is to be used for extraordinary economic development opportunities and only as a supplement to existing programs. The Catastrophic Event Account is to be used to respond without undue delay to a natural disaster or other catastrophic event that cannot be managed without appropriations. The Revenue Stabilization Account is designed to retain State revenues for future needs and reduce the need for future tax increases.

A portion of the other governmental funds' fund balance is reserved for sinking fund deposits of \$8,128,000, set aside to redeem the 2002, 2005 and 2007 Qualified Zone Academy Bonds due in 2016, 2020, and 2022, respectively. A portion of the general fund unreserved fund balance is designated for fiscal year 2009 appropriations in the amount of \$537,984,000. Portions of the other governmental funds' unreserved fund balance are designated for payment of the debt service on General Obligation long-term debt in the amount of \$54,263,000. The undesignated deficit fund balance reported in non-major capital projects fund of \$128,045,000 results from the reservation for encumbrances of \$321,443,000 for future construction projects in the capital projects fund.

The unrestricted deficit in net assets in other enterprise funds of \$5,718,000 for the Economic Development Insurance Programs occurred because of restrictions for insuring mortgages.

14. Segment Information:

The State's Economic Development Loan Program contains two separately identifiable activities that have separately issued revenue bonds outstanding; housing loans of the Community Development Administration and water quality loans and grants of the Maryland Water Quality Administration.

The Community Development Administration (CDA) has issued revenue bonds, the proceeds of which were used for various mortgage loan programs. The assets of the loan program and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. The bond indentures require the CDA to separately account for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

The Maryland Water Quality Administration has issued revenue bonds to encourage capital investment for wastewater treatment systems and bay restoration. These bonds are payable solely from, and secured by, the revenue, money or property of the Maryland Water Quality Administration. The bond indentures require separate accounting for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

Summary financial information for the two loan programs is presented below.

Condensed Statement of Net Assets As of June 30, 2008

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Assets:		
Current restricted assets.....	\$ 666,229	\$110,481
Non-current restricted assets.....	2,823,042	667,966
Total assets.....	3,489,271	778,447
Liabilities:		
Current liabilities	213,848	18,113
Non-current liabilities	2,872,923	146,527
Total liabilities	3,086,771	164,640
Net Assets:		
Restricted	402,500	613,807
Total net assets.....	\$ 402,500	\$613,807

Condensed Statement of Revenues, Expenses, and Changes in Net Assets For the Year Ended June 30, 2008

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Operating income (expenses):		
Interest on loan income.....	\$126,397	\$ 6,848
Other operating revenues	4,731	
Other operating expenses	(18,410)	(19,295)
Operating income (expenses).....	112,718	(12,447)
Non-operating revenues (expenses).....	(89,715)	572,246
Change in net assets	23,003	559,799
Beginning net assets.....	379,497	54,008
Ending net assets	\$402,500	\$613,807

Condensed Statement of Cash Flows For the Year Ended June 30, 2008

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Net cash provided (used) by:		
Operating activities	\$(359,454)	\$(51,951)
Non-capital financing activities	(187,619)	83,362
Investing activities	300,548	850
Beginning cash and cash equivalents	683,367	362
Ending cash and cash equivalents.....	\$436,842	\$ 32,623

15. Retirement Benefits:

State Retirement and Pension System of Maryland (System):

The State is a sole employer in the cost-sharing multiple-employer public employee retirement system established by the State to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of 114 participating political subdivisions or other entities within the State. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. Retirement benefits are paid from the System's pooled assets rather than from assets relating to a particular plan participant. Consequently, the System is accounted for as a single plan as defined in GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." The System prepares a separately audited Comprehensive Annual Financial Report, which can be obtained from the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1600, Baltimore, Maryland 21202-1600.

Plan Description:

The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and consists of several plans which are managed by the System's Board of Trustees. All State employees and employees of participating entities are covered by the plans.

"Retirement System" — retirement programs for substantially all State employees, teachers, State police and judges who are not members of the State Pension System.

"Pension System" — retirement programs for employees and teachers hired after January 1, 1980, and prior employees who elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after 5 years of service. A member terminating employment before attaining retirement age, but after completing 5 years of service becomes eligible for a vested retirement allowance provided the member does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit, regardless of age. Members of the Pension Systems may retire with full benefits after attaining the age 62, or after completing 30 years of Service Credit, regardless of age. State police members may retire with full benefits after attaining age 50, or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50, or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System Members is equal to 1/55 (1.8%) of the member's highest three-year average salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. A member of the Pension System will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member's highest three-consecutive year average salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.8% of the highest three-consecutive year average salary multiplied by the number of years of service credit after June 30, 1998. The annual benefit for a Pension System member who is employed by a participating governmental unit that does not provide enhanced pension benefits is equal to 0.8% of the member's highest three-consecutive year average salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security wage base. A member of either type of pension system may retire with reduced benefits after attaining age 55 and completing 15 years of service.

The annual retirement allowance for a State Police member is equal to 2.55% of the member's highest three-year average salary multiplied by each year of service up to a maximum of 28 years. The annual retirement allowance for a member of the Law Enforcement Officers Pension System is 2.0% of the member's highest three-consecutive year average salary multiplied by each year of service up to a maximum of 30 years. Neither the State Police Retirement System nor Law Enforcement Officers Pension System provide for an early retirement.

Funding Policy:

In accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, employer contribution rates and the actuarial accrued liability are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' contribution rates and the actuarial accrued liability. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular

salaries and wages, 7.0% or 5.0% depending on the retirement plan selected. Members of the Pension System are required to contribute to the System 4.0% of their regular salaries and wages for fiscal year 2008, and 5.0% thereafter. Members of the Pension System who are employed by a participating government that does not provide enhanced pension benefits are required to contribute to the System 5.0% of their regular salaries and wages that exceed the Social Security wage base. State Police members are required to contribute 8.0% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 4% of earnable compensation. All contributions are deducted from each member's salary, and the resulting payments are remitted to the System on a regular and periodic basis.

The contribution requirements of the System members, as well as the State and participating governmental employers, are established and may be amended by the Board of Trustees for the System. Effective July 1, 2002, State law provides that the contribution rates may be more or less than the actuarially determined rates for the Employees' Retirement and Pension Systems and the Teachers' Retirement and Pension Systems. Contributions to these Systems are based on the Modified Corridor Funding Method which establishes a budgetary contribution rate. This method effectively maintains the contribution rate in effect for the Teachers' and Employees' combined systems during the preceding fiscal year (as adjusted for any legislative changes in the benefit structure) as long as such systems remain between 90 percent and 110 percent funded. If either system falls below 90 percent funded (i.e., below the corridor), then the contribution rate in effect for the subsequent fiscal year will be the rate in effect for the preceding fiscal year plus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. Conversely, if either system exceeds 110 percent funded (i.e., above the corridor), then the contribution rate in effect for the subsequent fiscal year will be the rate in effect for the preceding fiscal year minus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. The methodology for computing the State's employer contribution rates for the Law Enforcement Officers' Pension System, State Police Retirement System and the Judges' Retirement System remain unchanged. For each of these three systems, the employer contribution rate is equal to the sum of the normal contribution and the accrued liability contribution rates.

During fiscal year 2008, the State paid \$950,123,000, of the required contribution totaling \$1,100,335,000 which was 10.1% of covered payroll and 86.3% of the required payment. The difference represents an additional pension cost liability in the government-wide statement of net assets. The State makes non-employer contributions to the System for local school system teachers. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. As of June 30, 2008, the State's membership includes 172,672 active members, 45,296 vested former members, and 99,796 retirees and beneficiaries.

Annual Pension Cost and Net Pension Obligation:

The annual pension cost and net pension obligation as of June 30, 2008, are as follows (amounts expressed in thousands).

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System
Annual required contribution.....	\$664,646	\$ 347,705	\$22,559	\$16,661	\$34,355
Interest on net pension obligation	16,313	33,756			
Actuarial adjustment to annual required contribution.....	(11,618)	(24,042)			
Annual pension cost	669,341	357,419	22,559	16,661	34,355
Contributions made	622,314	263,511	13,282	16,661	34,355
Increase in net pension obligation	47,027	93,908	9,277		
Net pension obligation, beginning of year.....	210,484	435,556			
Net pension obligation, end of year	\$257,511	\$529,464	\$9,277	\$ -	\$ -
Amortization period (years rolling).....	30	30	30	17.36	14.82

Three Year Historical Trend Information for the System is as follows (amounts expressed in thousands).

Plan	Annual Pension Cost As of June 30		
	2008	2007	2006
Teachers' Retirement and Pension System.....	\$669,341	\$571,977	\$485,799
Employees' Retirement and Pension System	357,419	322,923	274,163
State Police Retirement System.....	22,559	11,560	6,681
Judges' Retirement System.....	16,661	15,937	14,442
Law Enforcement Officers' Pension System	34,355	29,412	28,361

Plan	Percentage of Annual Pension Cost Contributed As of June 30,		
	2008	2007	2006
Teachers' Retirement and Pension System.....	94%	85%	91%
Employees' Retirement and Pension System	76	62	59
State Police Retirement System.....	59	100	100
Judges' Retirement System.....	100	100	100
Law Enforcement Officers' Pension System	100	100	100

Plan	Net Pension Obligation As of June 30,		
	2008	2007	2006
Teachers' Retirement and Pension System.....	\$257,511	\$210,484	\$123,931
Employees' Retirement and Pension System	529,464	435,556	313,662
State Police Retirement System.....	9,277		
Judges' Retirement System.....			
Law Enforcement Officers Pension System.....			

The funded status of each plan as of June 30, 2008, the most recent valuation date, is as follows (amounts expressed in thousands).

	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll	(Unfunded AAL) /Excess as a Percentage of Covered Payroll
Teachers' Retirement and Pension System.....	\$23,784,404	\$29,868,705	\$(6,084,301)	79.63%	\$6,117,591	(99.46) %
Employees' Retirement and Pension System.....	10,699,418	14,337,460	(3,638,042)	74.63	3,110,640	(116.95)
State Police Retirement System.....	1,343,208	1,601,575	(258,367)	83.87	86,464	(298.81)
Judges' Retirement System.....	306,716	406,782	(100,066)	75.40	37,943	(263.73)
Law Enforcement Officers' Pension System.....	389,793	611,367	(221,574)	63.76	85,814	(258.20)

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits. The Schedule of Funding Progress also discloses the relationship between the System's covered payroll (i.e., all elements included in compensation paid to active members on which contributions are based) and the unfunded actuarial accrued liability. This relationship, expressed as a ratio, is a measure of the significance of the unfunded AAL relative to the capacity to pay all contributions required to fund the liability.

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2008, the most recent valuation date.

Valuation method	Individual Entry Age Normal Cost Method
Cost method of valuing assets	Five-year straight-line amortization of each year's investment gain or loss with final value not more than 120% nor less than 80% of market value.
Rate of return on investments	7.75%
Projected payroll growth	3.5%
Projected inflation rate	3.5%
Post retirement benefit increase	3.0% (Judges system 3.5%)
Amortization method.....	Level Percent of Payroll (period is closed)
Remaining amortization period.....	12 years as of June 30, 2008 for prior UAAL (existing on June 30, 2000)
New layer as of June 30, 2001	18 years as of June 30, 2008 for new UAAL
New layer as of June 30, 2002.....	19 years as of June 30, 2008 for new UAAL
New layer as of June 30, 2003.....	20 years as of June 30, 2008 for new UAAL
New layer as of June 30, 2004.....	21 years as of June 30, 2008 for new UAAL
New layer as of June 30, 2005.....	22 years as of June 30, 2008 for new UAAL
New layer as of June 30, 2006.....	23 years as of June 30, 2008 for new UAAL
New layer as of June 30, 2007.....	24 years as of June 30, 2008 for new UAAL
New layer as of June 30, 2008.....	25 years as of June 30, 2008 for new UAAL
Status of period (Open or Closed).....	Closed

Maryland Transit Administration Pension Plan (Plan):

The Plan is a single employer non-contributory plan, which covers all Maryland Transit Administration (Administration) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. The Maryland Transit Administration was given authority to establish and maintain the Plan under Transportation Article, Section 7-206(b)(2)(ii), of the Annotated Code of Maryland. For the year ended June 30, 2008, the Administration's covered and total payroll was \$144,775,000. The Plan is administered and funded in compliance with the collective bargaining agreements. The Plan prepares separately audited financial statements, which can be obtained from the Maryland Transit Administration Pension Plan, William Donald Schaefer Tower, 6 Saint Paul Street, Baltimore, Maryland 21202.

Plan Description:

The Plan provides retirement, normal and early, death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.4% - 1.6% (1.3% prior to September 8, 2002) of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service.

As of June 30, 2008, membership in the Plan includes 2,698 active members, 512 vested former members, and 1,278 retirees and beneficiaries. There were no investments in, loans to, or leases with parties related to the Plan. There were no Plan investments representing 5 percent or more of total Plan assets.

Funding Policy:

The Administration's required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the actuarial accrued liability. All administrative costs of the Plan are paid by the Plan.

Employer contributions to the Plan totaling \$24,245,000 (16.7% of covered payroll) for fiscal year 2008 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2007. This amount consisted of \$3,697,000 normal cost and \$20,548,000 amortization of the actuarial accrued liability (2.5% and 14.2%, respectively, of covered payroll). The liquidation period for the actuarial accrued liabilities, as provided by law, is 11 years from June 30, 2008.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the annual pension cost and net pension obligations. The computation of the annual required contribution for fiscal year 2008 was based on the same actuarial assumptions, benefit provisions, actuarial funding method and other significant factors used to determine pension contribution requirements in the previous year.

Annual Pension Cost and Net Pension Obligation:

The Administration's annual pension cost and net pension obligation as of June 30, 2008, are as follows (amounts expressed in thousands).

Annual required contribution (ARC)	\$24,732
Interest on net pension obligation	261
Adjustment to ARC	(358)
Annual pension cost	<u>24,635</u>
Contributions made	<u>24,245</u>
Increase in net pension obligation	390
Net pension obligation beginning of year	<u>3,373</u>
Net pension obligation end of year	<u>\$ 3,763</u>
Amortization period	15.7 years

Three Year Historical Trend Information for the Plan is as follows (amounts expressed in thousands).

Fiscal Year Ending,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$24,635	99%	\$3,763
6/30/2007	24,245	84	3,373
6/30/2006	20,435	100	

Funded Status and Funding Progress:

As of June 30, 2008, the most recent actuarial valuation date, the plan was 41.7 % funded. The actuarial accrued liability for benefits was \$326,988,000 and the actuarial value of assets was \$136,294,000 resulting in an unfunded actuarial accrued liability (UAAL) of \$190,694,000. The covered payroll (annual payroll of active employees covered by the plan) was \$144,775,000 and the ratio of the UAAL to the covered payroll was 131.7%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2008, the most recent valuation date.

Valuation method.....	Entry Age Normal Cost Method
Cost method of valuing assets.....	Smoothing
Rate of return on investments.....	7.75% Compounded per Annum
Projected inflation rate.....	4.00%
Rate of salary increase.....	4.00% Compounded per Annum
Postretirement benefit increase.....	3.00%-4.00% of original benefit amount
Amortization method.....	Level dollar annual installments
Remaining amortization period.....	11 years from June 30, 2008 for UAAL (existing on June 30, 2002)
New amortization period.....	19 years from June 30, 2008 for new UAAL
Status of period (Open or Closed).....	Closed

During fiscal year 2008, there were no changes in actuarial assumptions or benefit provisions from 2007 that significantly affected the valuation of the annual pension cost and net pension obligation. No significant changes in these assumptions are planned in the near term.

Deferred Compensation Plan (Plan):

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). The Plan, available to eligible State employees, permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. State law provides that the Governor appoint the nine member Board of Trustees of the State's Supplemental Retirement Systems. The Board is responsible for the implementation, maintenance and administration of the Plan.

The State of Maryland Match Plan and Trust was established by the State on July 1, 1999. The plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code section 401(a). Under plan provisions, the State contributes to each participant's account an amount equal to each participant's contributions to the State's Supplemental Retirement Plans during the same plan year. By statute, the maximum amount contributed to this plan for each participant is \$600 for each State fiscal year. An employee's interest in his/her account is fully vested at all times. The match program continues to be established and funded in statute. For the plan year ended December 31, 2007, the State contributed \$20,722,000 and participants contributed \$164,234,000 to the Plan.

16. Other Postemployment Benefits, Health Benefits (OPEB)

Plan Description:

The State Employee and Retiree Health and Welfare Benefits Program (Plan) is a single-employer defined benefit healthcare plan established by State Personnel and Pensions Article, Sections 2-501 - 2-516, of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary of the Department of Budget and Management (DBM). In addition, the Secretary shall specify by regulation the types or categories of State employees who are eligible to enroll, with or without state subsidies, or who are not eligible to enroll.

Effective June 1, 2004, the State established the Postretirement Health Benefits Trust Fund (OPEB Trust) as a separate entity to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's postretirement health insurance subsidy. The OPEB Trust is established in accordance with the State Personnel and Pensions Article, Section 34-101, of the Annotated Code of Maryland and is administered by the Board of Trustees for the State Retirement and Pension System. Financial statements of the Trust may be obtained from the Office of the Comptroller, Treasury Building, Annapolis, Md. 21401.

Funding Policy:

The contribution requirements of Plan members and the State are established by the Secretary. Each year the Secretary recommends to the Governor the State's share of the costs of the Plan. Beginning in fiscal year 2008, State law requires DBM to transfer any subsidy received as a result of the federal Medicare Prescription Drug Improvement and Modernization Act of 2003 or similar subsidy to the OPEB Trust to prefund costs of retirees' health benefits. Also, funds may be separately appropriated in the State's budget for transfer to the OPEB Trust. Applicable administrative expenses are payable from the OPEB Trust, but may not exceed \$100,000 annually.

Generally, a retiree may enroll and participate in the health benefit options if the retiree retired directly from state service with at least five years of creditable service, ended state service with at least 10 years of creditable service and within five years before the age at which a vested

retirement allowance normally would begin or ended State service with at least 16 years of creditable service. As of July 1, 2007, the State's Plan membership includes 84,425 active employees, 4,468 vested former employees, and 53,635 retirees and beneficiaries. Based on current practice, the State subsidizes approximately 50% to 85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The Plan assesses a charge to retirees for post-employment health care benefits, which is based on health care insurance charges for active employees. For the fiscal year ended June 30, 2008, retiree plan members contributed \$62,540,000 or approximately 19% of total retiree premiums, and the State contributed \$271,435,000. In June 2008, the State transferred \$100,000,000 from the State Reserve Fund Dedicated Purpose Account and \$18,884,000 from the federal Medicare drug subsidy to the OPEB Trust to prefund future OPEB costs.

Annual OPEB Cost and Net OPEB Obligation:

The State's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the State's annual OPEB cost, the amount actually contributed to the Plan and the State's net OPEB obligation as of June 30, 2008, the year of the initial actuarial valuation (amounts expressed in thousands).

Annual required contribution (ARC)	\$1,086,240
Less: Contributions made.....	390,319
Increase in net OPEB obligation	695,921
Net OPEB obligation - beginning of year.....	
Net OPEB obligation - end of year	<u>\$ 695,921</u>
Percentage of annual OPEB cost contributed	35.9%

Funded Status:

As of June 30, 2008, the initial actuarial valuation date, the OPEB Trust was .8% funded. The actuarial accrued liability for benefits was \$14,852,304,000, and the actuarial value of assets was \$118,884,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,733,420,000. The ratio of the actuarial value of assets to the actuarial accrued liability was .8%. The covered payroll (annual payroll of active employees covered under the Plan) was \$4,625,145,000, and the ratio of the UAAL to the covered payroll was 319%.

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2008.

Actuarial cost method.....	Entry Age Normal (percent of pay)
Asset valuation method.....	Fair market value as of fiscal year end (fye) 2008
Rate of return on investments.....	4.30%
Aggregate salary growth	3.50%
Method to determine blended rate.....	Blended rate of the expected long-term investment returns on plan assets and on the State's own assets calculated based on the funded level of the plan at the valuation date.
Healthcare cost trend rate	Medical: 10% for fye 2008 trending down to 5% by fye 2016 Prescription drug: 11% for fye 2008 trending down to 5% by fye 2017 Dental: 5% for fye 2008 trending down to 4.5% by fye 2009
Amortization method	Level percentage of projected payroll
Amortization period	30 years
Status of period.....	To be determined (closed or open)

17. Commitments:

The State's governmental funds lease office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. These leases contain termination for convenience clauses providing for cancellation after a certain number of days notice to lessors. In addition, these leases contain appropriation clauses indicating that continuation of the lease is subject to appropriation by the legislature. Rent expenditures for the year ended June 30, 2008, were approximately \$66,319,000.

As of June 30, 2008, the governmental funds, other than the Department of Transportation, had commitments of approximately \$55,270,000 for service contracts.

As of June 30, 2008, the Department of Transportation and Maryland Transportation Authority had commitments of approximately \$3,501,160,000 and \$1,665,000,000 respectively, for construction of highway and mass transit facilities.

Approximately 36% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department of Transportation.

The Department of Transportation, as lessor, leases space at various marine terminals, airport facilities and office space pursuant to various noncancelable operating leases with scheduled rent increases. Minimum future rental revenues are as follows (amounts expressed in thousands).

Years Ending June 30,	Amounts
2009	\$110,122
2010	89,006
2011	75,194
2012	44,563
2013	42,682
2014 -2018	158,876
Total.....	\$520,443

The cost and accumulated depreciation of the assets as of June 30, 2008, are \$1,455,703,000 and \$492,551,000, respectively.

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenue was approximately \$155,643,000 for the year ended June 30, 2008.

As of June 30, 2008, the Maryland State Lottery Agency had commitments of approximately \$116,602,000, for services to be rendered relating principally to the operation of the lottery game.

As of June 30, 2008, the enterprise fund loan programs had committed to lend a total of \$245,573,000 in additional loans. The Community Development Administration, also an enterprise fund loan program, has \$450,230,000 of revenue bonds outstanding that are not included in the financial statements of the Administration because the bonds are not guaranteed by the State or any other program of the State or any political subdivision. The revenue bonds are secured solely by the individual multi-family project properties, related revenues, applicable credit enhancements or investments equal to the debt outstanding.

Pursuant to legislation enacted by the Maryland General Assembly in April, 1996, the Maryland Stadium Authority is required to pay \$2,400,000 per year into the Public School Construction Fund over ten years, subject to availability of funds, beginning in fiscal year 2001. Payment for fiscal year 2008 was required and paid.

As of June 30, 2008, the higher education fund had commitments of approximately \$246,565,000 for the completion of projects under construction.

18. Contingencies:

The State is party to legal proceedings that normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the State as a whole.

As of June 30, 2008, economic development loan programs were contingently liable to financial institutions for \$4,689,000 for the repayment of loans for small businesses. Non-major enterprise funds were contingently liable as insurers of \$166,280,000 of \$377,100,000 mortgage loans made by public and private lenders. Non-major component units were contingently liable as insurers of \$24,686,000 of \$465,790,000 economic development and growth bonds issued by financial institutions.

As of June 30, 2008, there were approved economic development bonds pending settlement which were insured by non-major component units for \$5,032,000.

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 2008, the State estimates that no material liabilities will result from such audits.

19. Tobacco Settlement:

Legislation enacted by the 1999 General Assembly established the Cigarette Restitution Fund for all revenues received from any judgment against or settlement with the tobacco industry. Expenditures from the fund are made by an appropriation in the annual State budget. The law provides that at least 50% of the appropriations shall be made for tobacco or health related purposes and the remaining appropriations may be for any public purpose. During the 2002 legislative session, legislation was enacted providing that for each of fiscal years 2003 through 2006, at least 25% of the appropriations shall be made for the Maryland Medical Assistance Program (Medicaid); the 2005 legislative session increased that percentage to 30% for each year for which appropriations are made. During the 2003 legislative session, legislation was enacted requiring that .15% of the fund be appropriated for enforcing the escrow requirements for nonparticipating tobacco product manufacturers. Transfers of \$179,796,000 were made from the proceeds in the Cigarette Restitution Fund for fiscal year 2008 expenditure of appropriations.

As part of the Master Settlement Agreement between the states and the tobacco companies, Maryland's share during fiscal year 2008 was \$173,554,000, including the award from the arbitration panel for attorney fees. This amount does not include \$11,898,000, the tobacco companies paid to the disputed account pending the outcome of litigation.

It is estimated that the payments made to the State pursuant to the Master Settlement through fiscal year 2013 will total \$2.2 billion of which, \$149,873,000 will be paid to outside counsel. The actual amount paid each year, however, will reflect adjustments for inflation and cigarette shipment volume. In addition, the State expects to receive \$75,972,000 during that same period pursuant to an award for attorney fees by the national arbitration panel.

20. Landfill Closure and Postclosure Care Costs:

State and Federal laws require the Maryland Environmental Service (the Service) to cover the Midshore Regional Landfill (Midshore), which the current cell is expected to close in December 2010, and to perform certain maintenance and monitoring functions at the Midshore and Easton Landfill (Easton) sites for thirty years after closure. Although closure and postclosure care costs at Midshore will be paid near or after the date the landfill stops accepting waste, the Service reports a portion of these closure and postclosure care costs as a liability based upon the estimated useful life of the landfill. Midshore's current cells are approximately 82% filled as of June 30, 2008. Total closure and postclosure care costs for the landfill is currently estimated to be \$11,865,000, as determined through engineering studies and \$9,705,000 has been recognized as a liability on the June 30, 2008, Combining Statement of Net Assets, Non-Major Component Units. Actual costs may be subject to change due to inflation, deflation, technology, and changes in applicable laws and regulations.

A receivable from project participants corresponding to the accrued liability has also been recorded.

Under Federal regulations, the Service has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2007. The Service expects to satisfy these requirements as of June 30, 2008, using the same criteria.

21. Subsequent Event:

Subsequent to June 30, 2008, financial markets as a whole incurred significant declines in values. Investments held by the governmental and enterprise funds primarily consist of U.S. government agency obligations and money market mutual funds. There have been no major fluctuations in the market value of these securities. As of November 18, 2008, the investment portfolio of the Maryland State Retirement System (System), fiduciary funds, has incurred a significant decline in the values reported as of June 30, 2008. Because the values of the individual investments fluctuate with market conditions, the amount of investment losses that the System will recognize in its future financial statements, if any, cannot be determined at this time.





STATE OF MARYLAND
Comprehensive Annual Financial Report

REQUIRED SUPPLEMENTARY
INFORMATION

**Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual -
Budgetary General, Special, and Federal Funds For the Year Ended June 30, 2008**

Revenues:

Expenditures and

Health, hospitals and mental hygiene	3,711,992	3,672,908	3,614,705	58,203	478,255	510,745	462,643	48,102	3,257,848	3,276,972	3,188,751	88,221
Human resources.....	582,562	583,085	570,535	12,550	84,536	102,326	96,123	6,203	1,073,289	1,174,313	1,084,572	89,741
Labor, licensing and regulation	15,965	15,929	15,438	491	44,414	47,466	38,110	9,356	109,281	113,915	111,676	2,239
Public safety and correctional services	1,031,461	1,041,229	1,035,619	5,610	157,111	173,930	157,322	16,608	10,278	15,163	14,083	1,080
Public education.....	7,094,671	7,085,541	7,028,549	56,992	53,763	58,581	47,054	11,527	1,122,123	1,147,548	900,529	247,019
Housing and community development.....	40,935	40,847	16,735	24,112	89,667	90,022	49,839	40,183	225,964	234,220	207,194	27,026
Business and economic development.....	126,867	123,570	98,463	25,107	100,404	105,975	40,075	65,900	645	4,645	1,231	3,414
Environment.....	55,962	55,656	45,108	10,548	338,439	338,886	97,570	241,316	89,102	94,978	71,487	23,491
Juvenile services.....	231,853	267,188	266,696	492	4,214	4,486	2,999	1,487	14,737	14,737	9,433	5,304
State police.....	243,179	249,705	243,462	6,243	69,771	71,698	64,804	6,894	6,620	9,637	2,987	6,650
State reserve fund	262,795	262,795	262,795									
Reversions	(30,000)	(30,000)		(30,000)								
Total expenditures and encumbrances.....	14,767,247	14,711,269	14,465,688	245,581	6,170,102	6,282,110	5,395,041	887,069	6,953,160	7,078,426	6,487,137	591,289
Excess of revenues over (under) expenditures	(1,329,967)	(1,153,481)	(621,196)	532,285	(526,336)	(532,567)	44,944	577,511	(248,435)	(248,429)	(156,756)	91,673
Other sources (uses) of financial resources: Transfers in (out)			(72,596)	(72,596)			24,906	24,906			156,756	156,756
Excess of revenues over (under) expenditures and other sources (uses) of financial resources.....	(1,329,967)	(1,153,481)	(693,792)	459,689	(526,336)	(532,567)	69,850	602,417	(248,435)	(248,429)		248,429
Fund balances - beginning of the year	(2,080,930)	(742,180)	2,080,852	2,823,032	(1,490,790)	(1,538,059)	1,711,403	3,249,462	(1,216,676)	(1,216,676)		1,216,676
Fund balances - end of the year.....	\$(3,410,897)	\$(1,895,661)	\$1,387,060	\$3,282,721	\$(2,017,126)	\$(2,070,626)	\$1,781,253	\$3,851,879	\$(1,465,111)	\$(1,465,105)	\$ -	\$1,465,105

See accompanying Notes to Required Supplementary Information.

STATE OF MARYLAND

Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund, Fund Balances

June 30, 2008

(Expressed in Thousands)

	General	Special
Amount in budgetary funds, fund balance (page 87)	\$1,387,060	\$1,781,253
Budgetary special funds reclassified to the general fund	1,147,043	(1,147,043)
Budgetary special funds reclassified to other funds		(553,313)
Other non-budgetary funds reclassified to governmental funds	247,706	96
Total of budgetary fund balances reclassified into the governmental funds' fund structure	2,781,809	80,993
Accounting principle differences:		
Assets recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Cash	57,914	1,124
Investments	6,696	
Taxes receivable	146,769	1,234
Intergovernmental receivables	114,879	
Other accounts receivable	18,738	2,768
Prepaid items	(189,975)	
Inventories	25,005	74,458
Due from other funds	14,702	25,211
Liabilities recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Salaries payable	28,085	
Accounts payable and accrued liabilities	(100,754)	(26,405)
Due to other funds	(10,509)	(9,132)
Accounts payable to political subdivisions	(26,096)	
Deferred revenue	26,377	
Accrued self insurance costs	(8,052)	
Financial statement governmental funds' fund balances, June 30, 2008 (page 26)	\$2,885,588	\$ 150,251

See accompanying Notes to Required Supplementary Information.

STATE OF MARYLAND

Required Supplemental Schedule of Funding Progress for Pension and Retirement System

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll (1)	(Unfunded AAL) /Excess as a Percentage of Covered Payroll (2)
TEACHERS RETIREMENT AND PENSION SYSTEM						
2008	\$23,784,404	\$29,868,705	\$ (6,084,301)	79.63 %	\$6,117,591	(99.46)%
2007	22,814,759	28,122,575	(5,307,816)	81.13	5,709,765	(92.96)
2006	21,575,451	25,617,484	(4,042,033)	84.22	5,269,185	(76.71)
2005	20,801,529	23,305,198	(2,503,669)	89.26	5,055,392	(49.52)
2004	20,155,415	21,724,178	(1,568,763)	92.78	4,615,607	(33.99)
2003	19,626,676	21,152,063	(1,525,387)	92.79	4,609,992	(33.09)
STATE EMPLOYEES RETIREMENT AND PENSION SYSTEM						
2008	\$10,699,418	\$14,337,460	\$ (3,638,042)	74.63 %	\$3,110,640	(116.95)%
2007	10,332,264	13,363,507	(3,031,243)	77.32	3,022,476	(100.29)
2006	9,825,416	12,184,215	(2,358,799)	80.64	2,828,348	(83.40)
2005	9,544,541	11,241,813	(1,697,272)	84.90	2,743,255	(61.87)
2004	9,330,876	10,457,119	(1,126,243)	89.23	2,625,312	(42.90)
2003	9,143,380	9,986,544	(843,164)	91.56	2,611,085	(32.29)
STATE POLICE RETIREMENT SYSTEM						
2008	\$ 1,343,208	\$ 1,601,575	\$ (258,367)	83.87 %	\$86,464	(298.81)%
2007	1,334,375	1,516,935	(182,560)	87.97	83,191	(219.45)
2006	1,301,877	1,325,875	(23,998)	98.19	80,649	(29.76)
2005	1,289,345	1,284,950	4,395	100.34	76,463	5.75
2004	1,287,981	1,200,605	87,376	107.28	76,445	114.30
2003	1,285,201	1,062,383	222,818	120.97	80,839	275.63
JUDGES RETIREMENT SYSTEM						
2008	\$ 306,716	\$ 406,782	\$ (100,066)	75.40 %	\$37,943	(263.73)%
2007	293,052	371,987	(78,935)	78.78	37,638	(209.72)
2006	273,679	352,537	(78,858)	77.63	35,939	(219.42)
2005	260,125	328,033	(67,908)	79.30	33,074	(205.32)
2004	250,272	312,285	(62,013)	80.14	32,937	(188.28)
2003	240,207	279,008	(38,801)	86.09	33,167	(116.99)
STATE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM						
2008	\$ 389,793	\$ 611,367	\$ (221,574)	63.76 %	\$85,814	(258.20)%
2007	354,364	593,308	(238,944)	59.73	82,079	(291.11)
2006	316,709	504,373	(187,664)	62.79	71,678	(261.82)
2005	281,659	470,677	(189,018)	59.84	72,374	(261.17)
2004	253,582	400,755	(147,173)	63.28	63,828	(230.58)
2003	216,913	358,789	(141,876)	60.46	62,214	(228.05)
TOTAL OF ALL PLANS						
2008	\$36,523,539	\$46,825,889	\$ (10,302,350)	78.00 %	\$9,438,452	(109.15)%
2007	35,128,814	43,968,312	(8,839,498)	79.90	8,935,149	(98.93)
2006	33,293,132	39,984,484	(6,691,352)	83.27	8,285,799	(80.76)
2005	32,177,199	36,630,671	(4,453,472)	87.84	7,980,558	(55.80)
2004	31,278,126	34,094,942	(2,816,816)	91.74	7,414,129	(37.99)
2003	30,512,377	32,838,787	(2,326,410)	92.92	7,397,297	(31.45)

- (1) Covered payroll includes the payroll cost of those participants for which the State pays the retirement contribution but does not pay the participants' payroll cost.
- (2) (Unfunded AAL)/ excess assets over AAL as a percentage of covered payroll.

STATE OF MARYLAND

Required Supplemental Schedule of Funding Progress for Maryland Transit Administration Pension Plan

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2008	\$136,294	\$326,988	\$(190,694)	41.68%	\$144,775	(131.72)%
2007	124,496	322,597	(198,101)	38.59	135,098	(146.64)
2006	112,230	300,869	(188,639)	37.30	128,806	(146.45)

Required Supplemental Schedule of Funding Progress for Other Post-Employment Benefits Plan

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2008*	\$118,884	\$14,852,304	\$14,733,420	0.8%	\$4,625,145	318.6%

Required Supplemental Schedule of Employer Contributions and Other Contributing Entities for Other Post-Employment Benefits Plan

(Expressed in Thousands)

Year Ended June 30,	Annual Required Contribution	Percentage Contributed		
		Employer Contributions (a)	Other Contributing Entities (b)	Total
2008*	\$1,086,420	34.2%	1.7%	35.9%

*Information for prior years not available.

(a) Employer contributions include pre-funding and pay-as-you-go contributions (net of retiree premiums).

(b) Other contributing entities consists of the federal Medicare drug subsidy contributed to the OPEB Trust.

Notes to Required Supplementary Information For the Year Ended June 30, 2008

1. Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the General Fund, which includes all transactions of the State, unless otherwise directed to be included in another fund and the Special Fund, which includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue fund includes only the operations (other than debt service and pension activities) of the Maryland Department of Transportation. The budgetary Federal fund revenue and expenditures are included in the GAAP General and Special Funds as federal revenues and expenditures by function. An annual budget is also prepared for the Federal Fund, which accounts for substantially all grants from the Federal government, and the current unrestricted and restricted funds of the Universities and Colleges. In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund.

All State budgetary expenditures for the general, special and federal funds are made pursuant to appropriations in the annual budget, as amended from time to time, by budget amendments. The legal level of budgetary control is at the program level for the general, special and federal funds. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by program within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained within the annual budget. Increases in the total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 2008, the General Assembly approved a net increase in General Fund appropriations of \$77,453,000. Appropriations for programs funded in whole or in part from the special or federal funds may permit expenditures in excess of original special or federal fund appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent of encumbrances, with all other appropriations lapsing as of the end of the fiscal year. Unexpended appropriations from special and federal funds may be carried over to the extent of (a) available resources, and (b) encumbrances. The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. It controls expenditures at the program level to ensure legal compliance. The "Agency Appropriation Unencumbered Balance Report," which is available for public inspection at the Office of the Comptroller, provides a more comprehensive accounting of activity on the basis of budgeting at the legal level of budgetary control.

The original and amended budget adopted by the General Assembly for the general, special and federal funds is presented in the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balances Budget and Actual for the year ended June 30, 2008. The State's budgetary fund structure and the basis of budgeting, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles. The budgetary system's principal departures from the modified accrual basis are the classification of the State's budgetary funds and the timing of recognition of certain revenues and expenditures. A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2008, is provided in the "Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund, Fund Balances" immediately following the budgetary schedule.





STATE OF MARYLAND
Comprehensive Annual Financial Report

COMBINING
FINANCIAL
STATEMENTS

Non-Major Governmental Funds

Debt Service Funds

General Obligation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations are accounted for in the general obligation bonds debt service fund.

Transportation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on transportation long-term debt obligations are accounted for in the transportation bonds debt service fund.

Capital Projects Fund

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, Federal grants and operating transfers from the State's general fund. The State enters into long-term contracts for construction of major capital projects and records the related commitments as encumbrances.

STATE OF MARYLAND

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2008

(Expressed in Thousands)

	Debt Service Funds		Capital	Total
	General	Transportation	Projects	Non-major
	Obligation	Bonds	Fund	Governmental
	Bonds			Funds
Assets:				
Cash with fiscal agent - restricted.....	\$ 8,224			\$ 8,224
Equity in pooled invested cash.....	38,332		\$ 278,642	316,974
Taxes receivable, net	15,329			15,329
Other receivables	321		86	407
Due from other funds.....			15,752	15,752
Loans and notes receivable, net.....	4,714			4,714
Loans and notes receivable - restricted			5,653	5,653
Total assets.....	\$66,920	\$ —	\$ 300,133	\$ 367,053
Liabilities:				
Vouchers payable			\$ 69,246	\$ 69,246
Accounts payable and accrued liabilities			25,073	25,073
Accounts payable to political subdivisions			6,763	6,763
Deferred revenue	\$ 69			69
Matured bonds and interest coupons payable	158			158
Total liabilities	227		101,082	101,309
Fund balances:				
Reserved for:				
Encumbrances			321,443	321,443
Loans and notes receivable.....	4,302		5,653	9,955
Debt service.....	8,128			8,128
Unreserved:				
Undesignated (deficit).....	54,263		(128,045)	(73,782)
Total fund balances	66,693		199,051	265,744
Total liabilities and fund balances.....	\$66,920	\$ —	\$ 300,133	\$367,053

STATE OF MARYLAND

**Combining Statement of Revenues,
Expenditures, Other Sources and Uses of
Financial Resources and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2008**
(Expressed in Thousands)

	Debt Service Funds		Capital	Total
	General	Transportation	Projects	Non-major
	Obligation	Bonds	Fund	Governmental
	Bonds			Funds
Revenues:				
Other taxes	\$628,231			\$ 628,231
Interest and other investment income	623	\$ 22	\$ 6,386	7,031
Federal revenue			11,824	11,824
Other	514			514
Total revenues	629,368	22	18,210	647,600
Expenditures:				
Education			369,894	369,894
Aid to higher education			270,363	270,363
Intergovernmental grants and revenue sharing			334,190	334,190
Capital outlays			76,268	76,268
Debt service:				
Principal retirement	428,310	68,990		497,300
Interest	262,610	52,400		315,010
Bond issuance costs			2,219	2,219
Total expenditures	690,920	121,390	1,052,934	1,865,244
Deficiency of revenues under expenditures	(61,552)	(121,368)	(1,034,724)	(1,217,644)
Other sources (uses) of financial resources:				
Bonds issued			779,986	779,986
Bond premium	24,543		17,481	42,024
Transfers in	37,761	118,987	192,333	349,081
Transfers out			(20,961)	(20,961)
Total other sources of financial resources	62,304	118,987	968,839	1,150,130
Net changes in fund balances	752	(2,381)	(65,885)	(67,514)
Fund balances, beginning of the year	65,941	2,381	264,936	333,258
Fund balances, end of the year	\$ 66,693	\$ —	\$199,051	\$ 265,744

Non-major Enterprise Funds

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The non-major enterprise funds consist of the economic development insurance programs of the Department of Housing and Community Development and Maryland Correctional Enterprises, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

STATE OF MARYLAND

Combining Statement of Net Assets

Non-major Enterprise Funds

June 30, 2008

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-major Enterprise Funds
Assets -			
Current assets:			
Cash and cash equivalents.....		\$ 10	\$ 10
Equity in pooled invested cash.....	\$ 106,770	9,818	116,588
Other accounts receivable.....		7,900	7,900
Inventories.....		11,990	11,990
Loans and notes receivable, net.....	127		127
Other assets	117	124	241
Total current assets.....	107,014	29,842	136,856
Non-current assets:			
Investments	1,205		1,205
Loans and notes receivable, net.....	413		413
Capital assets, net of accumulated depreciation:			
Structures and improvements.....		930	930
Equipment		6,929	6,929
Infrastructure.....		69	69
Total non-current assets	1,618	7,928	9,546
Total assets	108,632	37,770	146,402
Liabilities -			
Current liabilities:			
Accounts payable and accrued liabilities	194	2,161	2,355
Due to other funds		350	350
Accrued insurance on loan losses	7,731		7,731
Other liabilities.....	474	812	1,286
Unearned revenue.....	1,297	186	1,483
Total current liabilities	9,696	3,509	13,205
Non-current liabilities:			
Due to other funds		1,408	1,408
Other liabilities.....	1,322	736	2,058
Total non-current liabilities.....	1,322	2,144	3,466
Total liabilities.....	11,018	5,653	16,671
Net Assets -			
Invested in capital assets, net of related debt.....		6,171	6,171
Restricted for insurance programs.....	103,332		103,332
Unrestricted (deficit)	(5,718)	25,946	20,228
Total net assets	\$ 97,614	\$32,117	\$129,731

STATE OF MARYLAND

**Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Non-major Enterprise Funds
For the Year Ended June 30, 2008**

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-major Enterprise Funds
Operating revenues:			
Charges for services and sales.....	\$ 1,534	\$51,869	\$ 53,403
Interest on loan income.....	541		541
Other	42		42
Total operating revenues	2,117	51,869	53,986
Operating expenses:			
Cost of sales and services		37,614	37,614
General and administrative.....	2,813	7,941	10,754
Depreciation and amortization		1,351	1,351
Reduction in provision for insurance on loan losses	1,946		1,946
Total operating expenses	4,759	46,906	51,665
Operating income (loss).....	(2,642)	4,963	2,321
Non-operating revenues (expenses):			
Restricted investment income.....	5,471		5,471
Other		(12)	(12)
Total non-operating revenues (expenses)	5,471	(12)	5,459
Income before transfers	2,829	4,951	7,780
Transfers out	(10,000)		(10,000)
Changes in net assets.....	(7,171)	4,951	(2,220)
Total net assets - beginning of the year	104,785	27,166	131,951
Total net assets - end of the year	\$ 97,614	\$32,117	\$129,731

STATE OF MARYLAND

Combining Statement of Cash Flows

Non-major Enterprise Funds

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-major Enterprise Funds
Cash flows from operating activities:			
Receipts from customers.....	\$ 1,962	\$ 50,230	\$ 52,192
Payments to suppliers		(33,607)	(33,607)
Payments to employees	(2,112)	(14,375)	(16,487)
Other receipts (payments)	4,679	(473)	4,206
Net cash from operating activities	4,529	1,775	6,304
Cash flows from noncapital financing activities:			
Transfers out.....	(10,000)		(10,000)
Net cash from noncapital financing activities	(10,000)		(10,000)
Cash flows from capital and related financing activities:			
Proceeds from interfund borrowings.....		1,758	1,758
Acquisition of capital assets.....		(3,533)	(3,533)
Net cash from capital and related financing activities		(1,775)	(1,775)
Cash flows from investing activities:			
Interest on investments.....	5,471		5,471
Net cash from investing activities.....	5,471		5,471
Net change in cash and cash equivalents			
Balance - beginning of the year		10	10
Balance - end of the year	\$ -	\$ 10	\$ 10
Reconciliation of operating income to net cash from operating activities:			
Operating income (loss)	\$ (2,642)	\$ 4,963	\$ 2,321
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization		1,351	1,351
Effect of changes in non-cash operating assets and liabilities:			
Equity in pooled invested cash.....	5,151	(473)	4,678
Other accounts receivable		(952)	(952)
Inventories.....		(3,164)	(3,164)
Loans and notes receivable.....	32		32
Other assets	(203)	(34)	(237)
Accounts payable and accrued liabilities	7	281	288
Accrued insurance on loan losses	1,558		1,558
Unearned revenue.....	417	(288)	129
Other liabilities.....	209	91	300
Net cash from operating activities.....	\$ 4,529	\$ 1,775	\$ 6,304

Fiduciary Funds

The Pension and Other Employee Benefits Trust Funds include the State Retirement and Pension System of Maryland, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Trust Funds reflect the transactions, assets, liabilities and fund equities of the plans administered by the State and the Maryland Transit Administration and are accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is included with a year end of December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). Amounts deferred are invested and are not subject to federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.

The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of patient and prisoner accounts, various taxes collected by the State for distribution to the Federal government and political subdivisions and amounts withheld from employees' payroll.

STATE OF MARYLAND

Combining Statement of Fiduciary Net Assets

Pension and Other Employee Benefits Trust Funds

June 30, 2008

(Expressed in Thousands)

	Retirement and Pension System of Maryland	Maryland Transit Administration Pension Plan	Deferred Compensation Plan <u>December 31, 2007</u>	Total
Assets:				
Cash and cash equivalents.....	\$ 1,737,586	\$ 917	\$ 4,791	\$ 1,743,294
Investments:				
U.S. Treasury and agency obligations.....	633,331	3,680		637,011
Bonds	1,599,113	24,602		1,623,715
Corporate equity securities.....	8,034,922	87,492		8,122,414
Mortgage related securities.....	2,218,785	7,560		2,226,345
Mutual funds.....	19,836,401		1,743,191	21,579,592
Guaranteed investment contracts			629,093	629,093
Real estate.....	1,247,646	1,806		1,249,452
Annuity contracts			129,460	129,460
Private equity.....	830,433			830,433
Investments held by borrowers under securities lent with cash collateral.....	1,768,886			1,768,886
Total investments.....	36,169,517	125,140	2,501,744	38,796,401
Other receivables	873,365	1,643	19,117	894,125
Collateral for lent securities	1,826,516			1,826,516
Total assets.....	40,606,984	127,700	2,525,652	43,260,336
Liabilities:				
Accounts payable and accrued liabilities	2,166,758	1,643	64	2,168,465
Collateral obligation for lent securities.....	1,826,516			1,826,516
Total liabilities	3,993,274	1,643	64	3,994,981
Net assets:				
Held in trust for:				
Pension benefits	36,613,710	126,057		36,739,767
Deferred compensation benefits.....			2,525,588	2,525,588
Total net assets.....	\$36,613,710	\$126,057	\$2,525,588	\$39,265,355

STATE OF MARYLAND

Combining Statement of Changes in Plan Net Assets

Pension and Other Employee Benefits Trust Funds

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Retirement and Pension System of Maryland	Maryland Transit Administration Pension Plan	Deferred Compensation Plan December 31, 2007	Total
Additions:				
Contributions:				
Employers.....	\$ 443,207	\$ 24,245	\$ 20,722	\$ 488,174
Members	420,461		164,234	584,695
Sponsors	604,756			604,756
Total contributions	1,468,424	24,245	184,956	1,677,625
Investment earnings:				
Net appreciation (depreciation) in fair value of investments.....	(2,666,856)	(20,458)	87,853	(2,599,461)
Interest	430,590	13,608	37,376	481,574
Dividends	237,938			237,938
Real estate operating net earnings	25,096			25,096
Net change in annuity reserves.....			2,592	2,592
Total investment income.....	(1,973,232)	(6,850)	127,821	(1,852,261)
Less: Investment expense.....	166,430			166,430
Net investment income	(2,139,662)	(6,850)	127,821	(2,018,691)
Total additions	(671,238)	17,395	312,777	(341,066)
Deductions:				
Benefit payments	2,120,463	20,128	164,960	2,305,551
Refunds	16,223			16,223
Administrative expenses.....	23,147	345	7,001	30,493
Total deductions	2,159,833	20,473	171,961	2,352,267
Changes in net assets.....	(2,831,071)	(3,078)	140,816	(2,693,333)
Net assets held in trust for pension and other employee benefits:				
Beginning of the year.....	39,444,781	129,135	2,384,772	41,958,688
End of the year	\$36,613,710	\$126,057	\$2,525,588	\$39,265,355

STATE OF MARYLAND

Combining Schedule of Fiduciary Net Assets Retirement and Pension System of Maryland

June 30, 2008

(Expressed in Thousands)

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Local Fire and Police System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Assets:									
Cash and cash equivalents.....	\$ 1,042,501	\$ 576,858	\$ 25,992	\$ 67,053	\$1,129	\$ 24,053	\$ 1,737,586		\$ 1,737,586
Investments, at fair value	21,838,213	12,443,094	267,952	1,199,605	3,700	416,953	36,169,517		36,169,517
Other receivables	488,437	341,182	6,002	27,395	86	10,263	873,365		873,365
Due from other systems.....	576					554	1,130	\$(1,130)	
Collateral for lent securities	1,103,719	627,341	13,542	60,661	187	21,066	1,826,516		1,826,516
Total assets.....	24,473,446	13,988,475	313,488	1,354,714	5,102	472,889	40,608,114	(1,130)	40,606,984
Liabilities:									
Accounts payable and accrued liabilities	1,310,103	743,417	16,187	71,879	227	24,945	2,166,758		2,166,758
Due to other systems	663	435		9	23		1,130	(1,130)	
Collateral obligation for lent securities.....	1,103,719	627,341	13,542	60,661	187	21,066	1,826,516		1,826,516
Total liabilities	2,414,485	1,371,193	29,729	132,549	437	46,011	3,994,404	(1,130)	3,993,274
Net Assets:									
Held in trust for pension benefits.....	\$22,058,961	\$12,617,282	\$283,759	\$1,222,165	\$4,665	\$426,878	\$36,613,710	\$ -	\$ 36,613,710

* Intersystem due from/due to have been eliminated in the financial statements.

STATE OF MARYLAND

Combining Schedule of Changes in Plan Net Assets Retirement and Pension System of Maryland For the Year Ended June 30, 2008

(Expressed in Thousands)

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Local Fire and Police System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Additions:									
Contributions:									
Employers.....	\$ 23,934	\$ 342,302	\$ 16,467	\$ 13,282	\$ 574	\$ 46,648	\$ 443,207	\$	443,207
Members	245,734	161,262	1,652	6,751		5,062	420,461		420,461
Sponsors	598,380	6,181	195				604,756		604,756
Total contributions	868,048	509,745	18,314	20,033	574	51,710	1,468,424		1,468,424
Investment earnings:									
Net decrease in fair value of investments	(1,608,807)	(919,156)	(19,849)	(89,051)	(276)	(29,717)	(2,666,856)		(2,666,856)
Interest	258,906	147,832	3,766	15,065	78	4,943	430,590		430,590
Dividends	143,587	81,973	1,775	7,916	24	2,663	237,938		237,938
Real estate operating net earnings	15,155	8,642	192	799	2	306	25,096		25,096
Total investment income	(1,191,159)	(680,709)	(14,116)	(65,271)	(172)	(21,805)	(1,973,232)		(1,973,232)
Less investment expense.....	100,368	57,436	1,226	5,559	16	1,825	166,430		166,430
Net investment income	(1,291,527)	(738,145)	(15,342)	(70,830)	(188)	(23,630)	(2,139,662)		(2,139,662)
Transfers from other systems.....	6,445	325		12	7	2,484	9,273	\$ (9,273)	
Total additions	(417,034)	(228,075)	2,972	(50,785)	393	30,564	(661,965)	(9,273)	(671,238)
Deductions:									
Benefit payments	1,276,519	713,764	22,010	81,420	305	26,445	2,120,463		2,120,463
Refunds	7,190	8,609	107	40		277	16,223		16,223
Administrative expenses.....	12,181	10,507	33	159	7	260	23,147		23,147
Transfers to other systems	6,114	3,095	2	16	23	23	9,273	(9,273)	
Total deductions	1,302,004	735,975	22,152	81,635	335	27,005	2,169,106	(9,273)	2,159,833
Changes in net assets.....	(1,719,038)	(964,050)	(19,180)	(132,420)	58	3,559	(2,831,071)		(2,831,071)
Net assets held in trust for pension benefits:									
Beginning of the year	23,777,999	13,581,332	302,939	1,354,585	4,607	423,319	39,444,781		39,444,781
End of the year	\$22,058,961	\$12,617,282	\$283,759	\$1,222,165	\$4,665	\$426,878	\$36,613,710	\$ -	\$36,613,710

* Intersystem transfers have been eliminated in the financial statements.

STATE OF MARYLAND

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2008

(Expressed in Thousands)

	Agency Funds					
	Local Income Taxes	Insurance Premium Taxes	Local Transportation Funds and Other Taxes	Payroll Taxes and Fringe Benefits	Litigant, Patient and Prisoner Accounts	Total Agency Funds
Assets:						
Cash and cash equivalents.....		\$ 10	\$ 3,028		\$ 98,158	\$ 101,196
Equity in pooled invested cash.....	\$1,536,103	75,907	52,117	\$320	5,124	1,669,571
Taxes receivable, net	239,559					239,559
Other receivables		2,200				2,200
Total assets	\$1,775,662	\$78,117	\$55,145	\$320	\$103,282	\$2,012,526
Liabilities:						
Accounts payable and accrued liabilities ...		\$78,117	\$ 3,028	\$320	\$101,283	\$ 182,748
Accounts payable to political subdivisions	\$1,775,662		52,117		1,999	1,829,778
Total liabilities	\$1,775,662	\$78,117	\$55,145	\$320	\$103,282	\$2,012,526

STATE OF MARYLAND

Combining Statement of Changes in Assets and Liabilities – Agency Funds For the Year Ended June 30, 2008

(Expressed in Thousands)

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
<i>Litigant, Patient and Prisoner Accounts</i>				
Assets:				
Cash and cash equivalents.....	\$ 83,434	\$ 174,249	\$ 159,525	\$ 98,158
Equity in pooled invested cash.....	4,922	19,964	19,762	5,124
Total assets.....	\$ 88,356	\$ 194,213	\$ 179,287	\$ 103,282
Liabilities:				
Accounts payable and accrued liabilities	\$ 86,652	\$ 193,298	\$ 178,667	\$ 101,283
Accounts payable to political subdivisions	1,704	915	620	1,999
Total liabilities.....	\$ 88,356	\$ 194,213	\$ 179,287	\$ 103,282
<i>Insurance Premium Taxes</i>				
Assets:				
Cash and cash equivalents.....	\$ 10			\$ 10
Equity in pooled invested cash.....	72,634	\$ 30,981	\$ 27,708	75,907
Other receivables	2,455		255	2,200
Total assets.....	\$ 75,099	\$ 30,981	\$ 27,963	\$ 78,117
Liabilities:				
Accounts payable and accrued liabilities	\$ 75,099	\$ 30,981	\$ 27,963	\$ 78,117
<i>Local Income Taxes</i>				
Assets:				
Equity in pooled invested cash.....	\$1,516,569	\$4,459,956	\$4,440,422	\$1,536,103
Taxes receivable	219,901	101,184	81,526	239,559
Total assets.....	\$1,736,470	\$4,561,140	\$4,521,948	\$1,775,662
Liabilities:				
Accounts payable to political subdivisions	\$1,736,470	\$4,561,140	\$4,521,948	\$1,775,662
<i>Local Transportation Funds and Other Taxes</i>				
Assets:				
Cash and cash equivalents.....	\$ 2,950	\$ 12,566	\$ 12,488	\$ 3,028
Equity in pooled invested cash.....	63,846	89,725	101,454	52,117
Total assets.....	\$ 66,796	\$ 102,291	\$ 113,942	\$ 55,145
Liabilities:				
Accounts payable and accrued liabilities	\$2,950	\$12,566	\$ 12,488	\$ 3,028
Accounts payable to political subdivisions	63,846	89,725	101,454	52,117
Total liabilities.....	\$ 66,796	\$ 102,291	\$ 113,942	\$ 55,145
<i>Payroll Taxes and Fringe Benefits</i>				
Assets:				
Equity in pooled invested cash.....	\$ 229	\$1,126,096	\$1,126,005	\$320
Liabilities:				
Accounts payable and accrued liabilities	\$ 229	\$1,126,096	\$1,126,005	\$320
<i>Totals - All Agency Funds</i>				
Assets:				
Cash and cash equivalents.....	\$ 86,394	\$ 186,815	\$ 172,013	\$ 101,196
Equity in pooled invested cash.....	1,658,200	5,726,722	5,715,351	1,669,571
Taxes receivable	219,901	101,184	81,526	239,559
Other receivables	2,455		255	2,200
Total assets.....	\$1,966,950	\$6,014,721	\$5,969,145	\$2,012,526
Liabilities:				
Accounts payable and accrued liabilities	\$ 164,930	\$1,362,941	\$1,345,123	\$ 182,748
Accounts payable to political subdivisions	1,802,020	4,651,780	4,624,022	1,829,778
Total liabilities.....	\$1,966,950	\$6,014,721	\$5,969,145	\$2,012,526

Non-major Component Unit Financial Statements

Non-major Component Units

Non-major component units are comprised of the following proprietary fund type entities.

Maryland Environmental Service

The Maryland Environmental Service was created as a body corporate and politic. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

Maryland Industrial Development Financing Authority

The Maryland Industrial Development Financing Authority was established as a body corporate and politic and a public instrumentality of the State to provide financial assistance to enterprises seeking to locate or expand operations in Maryland.

Maryland Food Center Authority

The Maryland Food Center Authority is a body corporate and politic which was created to establish and operate a consolidated wholesale food center within the Greater Baltimore Region and is subject to State regulations.

Maryland Technology Development Corporation

The Maryland Technology Development Corporation was established as a body corporate and politic and a public instrumentality of the State to assist in the commercialization of technology developed in the universities and the private sector. The Corporation administers the Maryland Technology Incubator Program and the Maryland Stem Cell Research Fund.

STATE OF MARYLAND

Combining Statement of Net Assets

Non-major Component Units

June 30, 2008

(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
Assets:					
Cash and cash equivalents.....	\$ 3,684		\$ 3	\$ 4,005	\$ 7,692
Equity in pooled invested cash.....		\$40,317	2,772		43,089
Investments	14,714			13,510	28,224
Other accounts receivable.....	19,348		86	9,854	29,288
Loans and notes receivable, net.....			439	189	628
Investments in direct financing leases.....	7,619				7,619
Other assets	5,334		24	64	5,422
Restricted assets:					
Investments	9,561				9,561
Capital assets, net of accumulated depreciation:					
Land.....	1,070		5,103		6,173
Structures and improvements.....	7,002		14,966		21,968
Infrastructure.....	232				232
Equipment	8,723		488	55	9,266
Construction in progress.....	2,898		266		3,164
Total assets	80,185	40,317	24,147	27,677	172,326
Liabilities:					
Accounts payable and accrued liabilities ...	13,698		176	19,935	33,809
Unearned revenue.....		88	87	2,602	2,777
Accrued insurance on loan losses		4,757			4,757
Other liabilities.....			228	78	306
Bonds and notes payable:					
Due within one year	3,046				3,046
Due in more than one year	7,558				7,558
Other noncurrent liabilities:					
Due within one year	21,028		85		21,113
Due in more than one year	20,418		52		20,470
Total liabilities	65,748	4,845	628	22,615	93,836
Net Assets:					
Invested in capital assets, net of related debt.....	13,479		20,823	55	34,357
Restricted for capital improvements and deposits.....	8		290		298
Unrestricted	950	35,472	2,406	5,007	43,835
Total net assets	\$14,437	\$35,472	\$23,519	\$ 5,062	\$ 78,490

STATE OF MARYLAND

Combining Statement of Activities

Non-major Component Units

For the Year Ended June 30, 2008

(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total
Expenses:					
General and administrative.....	\$ 9,938	\$ 1,174	\$ 1,465	\$ 586	\$ 13,163
Operation and maintenance of facilities.....	111,454	98	1,999	30,298	143,849
Reduction in provision for insurance on loan losses, net.....		2,837			2,837
Interest on long-term debt.....	959				959
Depreciation and amortization	2,332		702	40	3,074
Other	4,136				4,136
Total expenses	128,819	4,109	4,166	30,924	168,018
Program revenues:					
Charges for services and sales.....	129,255	411	4,314	431	134,411
Restricted investment income.....	423				423
Total charges for services	129,678	411	4,314	431	134,834
Operating grants and contributions.....				29,977	29,977
Total program revenues.....	129,678	411	4,314	30,408	164,811
Net program revenue (expense)	859	(3,698)	148	(516)	(3,207)
General revenues:					
Grants and contributions not restricted to specific programs				621	621
Unrestricted investment income	441	2,000	476	549	3,466
Total general revenues	441	2,000	476	1,170	4,087
Changes in net assets.....	1,300	(1,698)	624	654	880
Net assets - beginning of the year.....	13,137	37,170	22,895	4,408	77,610
Net assets - end of the year.....	\$ 14,437	\$35,472	\$23,519	\$ 5,062	\$ 78,490



STATE OF MARYLAND
Comprehensive Annual Financial Report

STATISTICAL SECTION

Statistical Section

This part of the State's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's economic condition.

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Demographic and Economic Information

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Operating Information

These schedules contain service data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs 133

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The State implemented GASB Statement No. 34 in 2002. The schedules presenting government-wide information include information beginning in that year.

STATE OF MARYLAND

Net Assets by Component, Primary Government

Last Seven Fiscal Years*

(accrual basis of accounting)

(Expressed in Thousands)

	Year ended June 30,						
	2008	2007	2006	2005	2004	2003	2002
Governmental activities:							
Invested in capital assets, net of related debt	\$14,267,201	\$13,853,102	\$13,405,751	\$12,940,305	\$11,937,207	\$11,943,249	\$11,016,638
Restricted**	87,879	88,808	149,621	145,607	114,327	75,478	70,558
Unrestricted (deficit)	(2,273,983)	(559,318)	140,553	(668,169)	(1,046,233)	(1,239,572)	406,557
Total governmental activities net assets	\$12,081,097	\$13,382,592	\$13,695,925	\$12,417,743	\$11,005,301	\$10,779,155	\$11,493,753
Business-type activities:							
Invested in capital assets, net of related debt	\$ 1,685,176	\$ 1,613,891	\$ 1,303,668	\$ 1,217,923	\$ 1,331,400	\$ 1,231,338	\$ 1,217,578
Restricted	2,421,939	1,835,767	1,901,771	1,828,027	1,556,170	1,518,996	1,378,025
Unrestricted	1,250,324	1,725,338	1,670,224	1,450,868	1,197,542	1,208,954	1,610,282
Total business-type activities net assets	\$ 5,357,439	\$ 5,174,996	\$ 4,875,663	\$ 4,496,818	\$ 4,085,112	\$ 3,959,288	\$ 4,205,885
Primary government:							
Invested in capital assets, net of related debt	\$15,952,377	\$15,466,993	\$14,709,419	\$14,158,228	\$13,268,607	\$13,174,587	\$12,234,216
Restricted	2,509,818	1,924,575	2,051,392	1,973,634	1,670,497	1,594,474	1,448,583
Unrestricted (deficit)	(1,023,659)	1,166,020	1,810,777	782,699	151,309	(30,618)	2,016,839
Total primary government net assets	\$17,438,536	\$18,557,588	\$18,571,588	\$16,914,561	\$15,090,413	\$14,738,443	\$15,699,638

*Information for fiscal years prior to fiscal year ended June 30, 2002, is not available.

**Information for fiscal years prior to fiscal year ended June 30, 2006, has been restated to reflect reclassifications of certain restricted and unrestricted balances.

Changes in Net Assets Last Seven Fiscal Years*

(accrual basis of accounting)

(Expressed in Thousands)

	Year ended June 30,						
	2008	2007	2006	2005	2004	2003	2002
Governmental activities (1):							
Expenses	\$26,793,866	\$24,691,358	\$22,326,398	\$21,203,763	\$20,382,202	\$19,588,410	\$ 18,234,226
Program revenues	8,669,151	8,669,565	8,073,911	7,948,502	7,941,822	7,221,988	6,579,856
Net (expense)/revenue, governmental activities	(18,124,715)	(16,021,793)	(14,252,487)	(13,255,261)	(12,440,380)	(12,366,422)	(11,654,370)
General revenues and other changes, governmental activities	16,823,220	15,708,460	15,530,669	14,667,703	12,592,202	11,651,824	11,209,102
Change in net assets, governmental activities	(1,301,495)	(313,333)	1,278,182	1,412,442	151,822	(714,598)	(445,268)
Net assets, beginning	13,382,592	13,695,925	12,417,743	11,005,301	10,779,155	11,493,753	3,371,858
Restatement (2)					74,324		8,567,163
Net assets, ending, governmental activities	\$12,081,097	\$13,382,592	\$13,695,925	\$12,417,743	\$11,005,301	\$10,779,155	\$11,493,753
Business-type activities (1):							
Expenses	\$ 2,308,944	\$ 2,204,570	\$ 2,018,125	\$ 1,980,350	\$ 2,038,850	\$ 2,191,318	\$ 1,960,333
Program revenues	2,943,519	2,822,801	2,850,386	2,755,686	2,594,808	2,339,895	2,097,340
Net (expense)/revenue, business-type activities ..	634,575	618,231	832,261	775,336	555,958	148,577	137,007
General revenues and other changes, business-type activities	(452,132)	(318,898)	(453,416)	(396,571)	(430,134)	(395,174)	(99,232)
Change in net assets, business-type activities	182,443	299,333	378,845	378,765	125,824	(246,597)	37,775
Net assets, beginning	5,174,996	4,875,663	4,496,818	4,085,112	3,959,288	4,205,885	2,995,032
Restatement (2)				32,941			1,173,078
Net assets, ending, business-type activities	\$5,357,439	\$ 5,174,996	\$ 4,875,663	\$ 4,496,818	\$ 4,085,112	\$ 3,959,288	\$ 4,205,885
Primary government:							
Expenses	\$29,102,810	\$26,895,928	\$24,344,523	\$23,184,113	\$22,421,052	\$21,779,728	\$ 20,194,559
Program revenues	11,612,670	11,492,366	10,924,297	10,704,188	10,536,630	9,561,883	8,677,196
Net (expense)/revenue, primary government	(17,490,140)	(15,403,562)	(13,420,226)	(12,479,925)	(11,884,422)	(12,217,845)	(11,517,363)
General revenues and other changes, primary government	16,371,088	15,389,562	15,077,253	14,271,132	12,162,068	11,256,650	11,109,870
Change in net assets, primary government	(1,119,052)	(14,000)	1,657,027	1,791,207	277,646	(961,195)	(407,493)
Net assets, beginning	18,557,588	18,571,588	16,914,561	15,090,413	14,738,443	15,699,638	6,366,890
Restatement				32,941	74,324		9,740,241
Net assets, ending, primary government	\$17,438,536	\$18,557,588	\$18,571,588	\$16,914,561	\$15,090,413	\$14,738,443	\$ 15,699,638

*Information for fiscal years prior to fiscal year ended June 30, 2002 is not available.

(1) See the Expenses by Function, Primary Government and Revenues, Primary Government schedules for detail information on expenses and revenues.

(2) The beginning fund balances for fiscal year 2002 were restated due to implementation of GASB Statement No. 34 and for fiscal year 2004 due to implementation of GASB Technical Bulletin No. 2004-1. The beginning fund balance for fiscal year 2005 was restated for a change in accounting principles regarding the valuation of investments by the State Lottery Agency. Prior years' balances were not restated.

Expenses by Function, Primary Government Last Seven Fiscal Years*

(accrual basis of accounting)

(Expressed in Thousands)

Functions/Programs	Year ended June 30,						
	2008	2007	2006	2005	2004	2003	2002
Governmental activities:							
General government.....	\$ 815,107	\$ 712,936	\$ 693,074	\$ 747,486	\$ 598,116	\$ 665,133	\$ 610,560
Health and mental hygiene.....	7,648,495	7,400,023	6,588,057	6,202,439	6,090,102	5,592,272	4,908,418
Education.....	6,834,608	6,469,864	5,701,642	5,180,165	4,871,972	4,229,670	4,124,255
Aid for higher education**	1,851,379	1,299,090	1,103,514	1,074,048	1,081,099	1,554,955	1,536,851
Human resources.....	1,859,485	1,647,583	1,622,945	1,595,093	1,586,022	1,633,461	1,536,124
Public safety	2,100,098	1,852,861	1,674,995	1,498,684	1,398,017	1,338,202	1,194,952
Transportation.....	3,054,406	2,913,259	2,382,539	1,912,602	1,839,205	1,694,321	1,630,724
Judicial	633,844	541,713	506,787	476,253	439,576	429,302	408,571
Labor, licensing and regulation.....	186,470	168,022	157,675	170,344	175,551	182,584	173,625
Natural resources and recreation.....	179,682	166,751	181,682	184,599	169,791	168,107	149,372
Housing and community development.....	247,515	229,008	217,544	212,753	202,278	203,946	168,595
Environment	108,273	92,977	84,973	78,238	85,382	95,079	87,432
Agriculture.....	82,163	59,294	56,706	55,985	46,427	85,426	64,395
Business and economic development.....	97,991	66,405	57,093	58,127	58,666	43,387	55,570
Intergovernmental grants.....	742,398	738,973	979,450	1,453,408	1,461,133	1,422,007	1,375,043
Interest.....	351,952	332,599	317,722	303,539	278,865	250,558	209,739
Total governmental activities expenses ...	26,793,866	24,691,358	22,326,398	21,203,763	20,382,202	19,588,410	18,234,226
Business-type activities:							
Economic development - insurance programs.....	4,759	1,545	11	(132)	(4,911)	2,938	5,262
Economic development - general loan programs.....	21,547	181,394	19,129	31,010	53,237	48,633	69,381
Economic development - water quality loan programs.....	42,409	8,465	26,045	10,574	11,348	11,510	11,892
Economic development - housing loan programs.....	189,906	58,816	131,420	138,723	135,717	213,404	210,469
Unemployment insurance program	544,109	445,877	403,776	432,125	581,634	633,904	550,345
Maryland State Lottery.....	1,133,587	1,094,065	1,061,295	1,005,275	927,941	883,736	867,910
Maryland Transportation Authority.....	325,721	368,170	334,905	324,838	300,072	359,015	205,831
Maryland Correctional Enterprises.....	46,906	46,238	41,544	37,937	33,812	38,178	39,243
Total business-type activities expenses	2,308,944	2,204,570	2,018,125	1,980,350	2,038,850	2,191,318	1,960,333
Total primary government expenses	\$ 29,102,810	\$ 26,895,928	\$ 24,344,523	\$ 23,184,113	\$ 22,421,052	\$ 21,779,728	\$ 20,194,559

*Information for fiscal years prior to fiscal year ended June 30, 2002 is not available.

**Information for fiscal years 2002 & 2003 has been restated to reflect reclassification of certain expenditures.

STATE OF MARYLAND

Revenues, Primary Government Last Seven Fiscal Years*

(accrual basis of accounting)

(Expressed in Thousands)

	Year ended June 30,										
	2008	2007	2006	2005	2004	2003	2002				
Governmental activities:											
Program revenues:											
Charges for services:											
General government.....	\$ 359,589	\$ 424,639	\$ 301,119	\$ 484,933	\$ 349,078	\$ 325,115	\$ 238,480				
Health and mental hygiene.....	458,706	417,753	353,211	320,596	289,988	224,300	191,164				
Transportation	611,002	643,447	583,346	580,691	716,422	526,253	615,261				
Judicial.....	260,145	403,697	415,925	384,985	384,215	276,787	291,546				
Other activities.....	377,905	327,765	303,259	298,033	277,720	303,190	271,176				
Operating grants and contributions.....	5,924,816	5,725,441	5,323,300	5,091,053	5,204,906	4,843,927	4,225,374				
Capital grants and contributions	676,988	726,823	793,751	788,211	719,493	722,416	746,855				
Total program revenues	8,669,151	8,669,565	8,073,911	7,948,502	7,941,822	7,221,988	6,579,856				
General revenues:											
Taxes:											
Income taxes	7,885,639	7,333,979	7,119,633	6,829,564	5,518,813	5,107,593	4,913,185				
Sales and use taxes	3,748,724	3,448,766	3,385,391	3,149,736	2,944,534	2,719,547	2,690,099				
Motor vehicle taxes.....	1,920,460	1,982,329	1,983,439	2,031,862	1,792,769	1,693,736	1,660,994				
Other taxes.....	2,444,883	2,243,581	2,332,968	2,105,362	1,852,418	1,545,013	1,413,307				
Unrestricted investment earnings.....	345,578	350,249	251,388	130,359	48,134	62,611	109,065				
Special items.....						114,200	25,628				
Transfers.....	477,936	349,556	457,850	420,820	435,534	409,124	396,824				
Total general revenues, special items and transfers....	16,823,220	15,708,460	15,530,669	14,667,703	12,592,202	11,651,824	11,209,102				
Total revenues, transfers and special items - governmental activities.....	25,492,371	24,378,025	23,604,580	22,616,205	20,534,024	18,873,812	17,788,958				
Business-type activities:											
Program revenues:											
Charges for services:											
Unemployment insurance program	440,848	464,411	541,386	590,805	528,238	341,004	254,483 **				
Maryland State Lottery.....	1,673,038	1,577,311	1,560,906	1,485,733	1,395,408	1,322,239	1,306,538				
Maryland Transportation Authority.....	425,504	371,468	404,446	359,157	280,098	242,429	189,658				
Other activities	346,494	333,621	274,918	242,337	203,462	257,859	337,536 **				
Operating grants and contributions.....	57,635	25,995	27,020	26,206	129,991	136,113	234,993				

Capital grants and contributions	49,995	41,710	51,448	57,611	40,251	53,701
Total program revenues	2,943,519	2,822,801	2,850,386	2,755,686	2,339,895	2,376,909
General revenues:						
Unrestricted investment earnings.....	25,804	30,658	4,434	5,400	13,950	18,023 **
Transfers.....	(477,936)	(349,556)	(457,850)	(435,534)	(409,124)	(396,824)
Total general revenues and transfers.....	(452,132)	(318,898)	(453,416)	(430,134)	(395,174)	(378,801)
Total revenues and transfers - business-type activities.....	2,491,387	2,503,903	2,396,970	2,359,115	1,944,721	1,998,108
Total primary government revenues, special items, and transfers	\$27,983,758	\$26,881,928	\$26,001,550	\$24,975,320	\$20,818,533	\$19,787,066

*Information for fiscal years prior to the fiscal year ended June 30, 2002, is not available.

**Information for fiscal year 2002 has been restated to reflect reclassification of certain revenues.

STATE OF MARYLAND **Fund Balances, Governmental Funds** **Last Ten Fiscal Years** (modified accrual basis of accounting) (Expressed in Thousands)

	Year ended June 30,									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund:										
Reserved.....	\$1,388,192	\$2,373,711	\$1,490,670	\$1,537,565	\$1,362,310	\$1,295,012	\$1,368,973	\$1,467,309	\$1,072,483	\$1,175,393
Unreserved (deficit)	1,497,396	885,256	2,041,884	1,084,392	127,127	(110,344)	265,468	989,296	1,297,584	802,572
Total general fund	2,885,588	3,258,967	3,532,554	2,621,957	1,489,437	1,184,668	1,634,441	2,456,605	2,370,067	1,977,965
All Other Governmental Funds:										
Reserved.....	519,013	523,796	599,016	563,511	588,190	554,714	615,866	566,430	472,225	507,288
Unreserved, reported in:										
Special revenue funds	(29,236)	162,627	219,737	173,094	199,289	135,710	134,470	400,957	418,314	243,757
Capital projects funds (1)	(128,045)	(83,260)	(196,454)	(297,322)	(425,038)	(163,001)	(156,587)	222,161	(27,397)	119,510
Debt service funds.....	54,263	57,132	122,456	115,833	73,268	30,815	25,916	117,127	98,550	100,130
Total all other governmental funds....	415,995	660,295	744,755	555,116	435,709	558,238	619,665	1,306,675	961,692	970,685
Total governmental funds	\$3,301,583	\$3,919,262	\$4,277,309	\$3,177,073	\$1,925,146	\$1,742,906	\$2,254,106	\$3,763,280	\$3,331,759	\$2,948,650

(1) The unreserved fund balance deficit of the capital projects fund will be funded by future bond proceeds and capital appropriations of the general fund.

STATE OF MARYLAND

Changes in Fund Balances, Governmental Funds, **Last Ten Fiscal Years** (modified accrual basis of accounting) *(Expressed in Thousands)*

	Year ended June 30,									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues:										
Income taxes	\$ 7,868,899	\$ 7,325,181	\$ 7,108,573	\$ 6,814,378	\$ 5,499,953	\$ 5,080,359	\$ 4,911,807	\$ 5,741,664	\$ 5,223,740	\$ 4,845,406
Retail sales and use taxes.....	3,748,933	3,447,896	3,382,851	3,153,676	2,945,060	2,717,383	2,689,567	2,646,103	2,497,531	2,299,266
Motor vehicle taxes and fees	1,920,460	1,982,329	1,983,439	2,031,862	1,792,769	1,693,736	1,660,994	1,577,714	1,570,433	1,507,898
Other taxes.....	2,444,883	2,243,581	2,332,968	2,105,362	1,852,417	1,545,013	1,413,307	1,453,179	1,366,807	1,203,907
Other licenses and fees	651,079	782,712	808,617	759,953	754,995	544,456	610,009	450,768	459,063	328,442
Charges for services	1,108,666	1,050,187	970,345	978,535	1,044,636	775,852	814,332	875,717	793,722	758,698
Revenues pledged as security for bonds.....	77,541	70,563	70,593	70,875	52,255	69,108	41,161 (1)			
Interest and other investment income	307,403	315,121	219,609	102,532	32,251	51,304	108,214	288,936	193,897	174,945
Federal	6,604,348	6,407,172	6,118,583	5,916,233	5,872,371	5,506,539	4,931,908	4,451,010	3,973,662	3,681,692
Other	214,755	240,671	108,689	331,224	162,748	261,226	153,510	126,379	99,482	164,922
Total revenues.....	24,946,967	23,865,413	23,104,267	22,264,630	20,009,455	18,244,976	17,334,809	17,611,470	16,178,337	14,965,176
Expenditures:										
Current:										
General government.....	729,788	716,958	738,472	703,466	627,626	640,205	627,367	586,812	546,049	495,028
Education.....	8,638,203	7,683,885	6,758,158	6,235,534	5,919,742	5,779,552	5,675,065	3,888,180	3,626,739	3,440,054
Business and economic development.....	94,503	65,774	56,374	57,287	58,259	43,441	55,418	55,952	54,593	50,344
Labor, licensing and regulation.....	166,848	164,255	154,607	166,787	174,047	181,835	174,725	177,196	183,363	158,192
Human resources.....	1,761,284	1,643,078	1,622,922	1,569,032	1,560,876	1,614,493	1,536,780	1,456,484	1,341,603	1,285,650
Health and mental hygiene.....	7,536,747	7,252,117	6,547,288	6,329,383	6,064,735	5,545,991	4,893,824	4,483,159	3,956,048	3,599,677
Environment.....	95,918	92,460	83,793	76,393	84,443	95,500	87,447	78,960	73,910	68,119
Transportation.....	1,262,973	1,219,507	1,121,714	1,273,622	1,143,520	1,123,911	1,103,756	1,070,893	1,007,331	979,560
Public safety	1,835,652	1,790,595	1,606,314	1,435,406	1,357,943	1,326,612	1,265,624	1,533,283	1,435,979	1,349,764
Judicial	556,056	527,618	490,861	462,568	434,135	421,702	407,079(2)			
Housing and community development.....	244,581	228,105	215,940	211,577	202,346	205,501	168,580	121,602	103,804	106,604
Natural resources and recreation...	188,675	177,553	165,439	167,018	166,730	175,845	167,160	150,850	147,179	131,541
Agriculture	147,494	101,252	64,044	56,624	60,537	83,384	91,562	75,990	59,552	53,078
Intergovernmental.....	1,597,734	1,590,590	1,562,539	1,453,408	1,461,133	1,422,007	1,375,043	1,336,429	1,186,985	1,151,315

STATE OF MARYLAND

Personal Income Tax Filers by Subdivision

Tax Year Ended December 31, 2007

(Dollars Expressed in Thousands)

Subdivision	Number of Filers	Adjusted Gross Income	Net Taxable Income	State Income Tax(1)	Local Income Tax	Total State and Local Income Tax	Local Tax Rate
Allegany.....	23,684	\$ 1,174,112,365	\$ 917,744,761	\$ 39,778,911	\$ 26,146,611	\$ 65,925,522	2.93%
Anne Arundel	208,884	17,742,933,995	13,901,663,915	629,414,485	353,039,924	982,454,409	2.56
Baltimore County...	325,160	25,982,358,455	20,574,763,039	924,132,388	575,141,945	1,499,274,333	2.83
Calvert.....	33,945	2,729,717,181	2,058,591,147	93,673,537	57,151,799	150,825,336	2.80
Caroline	11,991	616,861,119	453,927,559	18,907,134	11,541,590	30,448,724	2.63
Carroll	65,328	4,987,886,733	3,818,659,142	175,191,593	115,636,124	290,827,717	3.05
Cecil	35,925	2,319,140,057	1,774,766,636	59,060,947	48,909,385	107,970,332	2.80
Charles	54,419	3,834,265,196	2,745,718,036	124,702,483	78,610,620	203,313,103	2.90
Dorchester.....	11,920	648,590,725	496,931,150	21,413,252	12,532,744	33,945,996	2.62
Frederick	90,982	7,121,073,470	5,450,114,536	247,584,316	160,013,278	407,597,594	2.96
Garrett.....	10,212	537,052,704	412,963,453	18,011,869	10,629,856	28,641,725	2.65
Harford	95,197	6,917,365,898	5,283,058,152	238,529,117	160,038,876	398,567,993	3.06
Howard.....	108,302	11,549,692,858	9,243,213,476	422,378,313	294,433,792	716,812,105	3.20
Kent	7,374	561,082,401	442,105,932	17,850,585	12,407,587	30,258,172	2.85
Montgomery.....	387,875	45,044,465,276	36,947,166,594	1,610,260,135	1,175,936,199	2,786,196,334	3.20
Prince George's.....	335,552	19,116,852,574	12,854,834,139	571,571,772	388,066,262	959,638,034	3.10
Queen Anne's.....	17,882	1,541,573,982	1,184,705,839	52,947,190	33,480,231	86,427,421	2.85
St. Mary's.....	37,377	2,623,307,676	2,006,658,806	91,221,984	59,471,187	150,693,171	3.00
Somerset.....	6,923	316,364,088	233,091,381	9,965,253	6,983,153	16,948,406	3.15
Talbot	15,098	1,637,948,218	1,327,023,177	55,858,849	29,601,486	85,460,335	2.25
Washington.....	55,030	3,173,221,034	2,423,011,261	108,006,509	66,462,374	174,468,883	2.80
Wicomico	34,484	1,931,932,593	1,481,755,918	62,520,651	44,494,471	107,015,122	3.10
Worcester.....	21,233	1,334,945,488	1,026,855,196	43,562,023	12,604,859	56,166,882	1.25
Baltimore City	210,461	10,644,629,359	7,989,864,296	342,374,792	230,971,679	573,346,471	3.05
Non-resident.....	88,665	5,243,269,392	4,594,319,117	270,383,836		270,383,836	
Total	2,293,903	\$179,330,642,837	\$139,643,506,658	\$6,249,301,924	\$3,964,306,032	\$10,213,607,956	

(1) See state personal income tax rates schedule for tax rate information.

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND

State Personal Income Tax and Sales Tax Rates

Calendar Year 2008*

Filing Status, Single:		Married, Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
\$3,000 - \$150,000	4.75%	\$3,000 - \$200,000	4.75%
\$150,001 - \$300,000	5.00%	\$200,001 - \$350,000	5.00%
\$300,001 - \$500,000	5.25%	\$350,001 - \$500,000	5.25%
\$500,001 - \$1,000,000	5.50%	\$500,001 - \$1,000,000	5.50%
over \$1,000,000	6.25%	over \$1,000,000	6.25%
Sales Tax Rate: 6%			

*Rates effective January 1, 2008

STATE OF MARYLAND

State Personal Income Tax and Sales Tax Rates

Calendar Years 1999 - 2007

Year	Personal Income Tax Rate				Sales Tax Rate
	1st \$1,000 of Net Taxable Income	2nd \$1,000 of Net Taxable Income	3rd \$1,000 of Net Taxable Income	In excess of \$3,000 Net Taxable Income	
2007	2 %	3 %	4 %	4.75 %	5 %
2006	2	3	4	4.75	5
2005	2	3	4	4.75	5
2004	2	3	4	4.75	5
2003	2	3	4	4.75	5
2002	2	3	4	4.75	5
2001	2	3	4	4.80	5
2000	2	3	4	4.85	5
1999	2	3	4	4.85	5

Source: Revenue Administration Division, State Comptroller's Office

Personal Income Tax Filers and Liability by Income Level

Last Ten Tax Years Ended December 31st

(Dollars, except income level, Expressed in Thousands)

2007			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability
\$500,000 and higher	22,546	0.98%	\$1,343,286,161
\$100,000-\$499,999	422,874	18.43	2,619,517,108
\$70,000-\$99,999	299,022	13.04	838,999,860
\$50,000-\$69,999	310,886	13.55	591,120,737
\$25,000-\$49,999	636,783	27.76	669,598,558
\$10,000-\$24,999	482,515	21.03	174,561,264
Under \$10,000	119,277	5.20	12,218,236
Total	2,293,903	100.00%	\$6,249,301,924

2006			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability
\$500,000 and higher	20,188	0.89%	\$1,187,582,668
\$100,000-\$499,999	386,236	17.07	2,379,533,636
\$75,000-\$99,999	290,471	12.83	818,732,019
\$50,000-\$74,999	303,484	13.41	577,994,738
\$25,000-\$49,999	637,570	28.17	666,374,604
\$10,000-\$24,999	501,656	22.16	172,923,157
Under \$10,000	123,697	5.47	13,274,601
Total	2,263,302	100.00%	\$5,816,415,423

2005			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability
\$500,000 and higher	18,394	0.82%	\$1,064,405
\$100,000-\$499,999	354,202	15.84	2,185,588
\$75,000-\$99,999	282,940	12.66	804,574
\$50,000-\$74,999	298,942	13.37	573,615
\$25,000-\$49,999	636,912	28.49	667,108
\$10,000-\$24,999	511,948	22.90	174,268
Under \$10,000	132,317	5.92	14,411
Total	2,235,655	100.00%	\$5,483,969

2004			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability
\$100,000 and higher	322,388	15.04%	\$2,473,983
\$75,000-\$99,999	213,573	9.96	638,382
\$50,000-\$74,999	347,875	16.23	703,769
\$25,000-\$49,999	626,618	29.23	661,464
\$10,000-\$24,999	507,779	23.69	171,094
Under \$10,000	125,426	5.85	13,758
Total	2,143,659	100.00%	\$4,662,450

2003			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability
\$100,000 and higher	289,448	13.75%	\$2,107,257
\$75,000-\$99,999	205,607	9.77	611,558
\$50,000-\$74,999	345,285	16.40	695,499
\$25,000-\$49,999	626,336	29.76	660,343
\$10,000-\$24,999	513,506	24.40	170,481
Under \$10,000	124,623	5.92	13,594
Total	2,104,805	100.00%	\$4,258,732

2002			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability
\$100,000 and higher	269,980	12.87%	\$1,924,320
\$75,000-\$99,999	201,154	9.59	597,359
\$50,000-\$74,999	346,786	16.53	700,379
\$25,000-\$49,999	631,516	30.10	672,903
\$10,000-\$24,999	523,825	24.97	176,215
Under \$10,000	124,636	5.94	14,180
Total	2,097,897	100.00%	\$4,085,356

STATE OF MARYLAND

Personal Income Tax Filers and Liability by Income Level Last Ten Tax Years Ended December 31st

(Dollars, except income level, Expressed in Thousands)
(continued)

2001			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability
\$100,000 and higher	259,490	12.33%	\$1,935,778
\$75,000-\$99,999	195,174	9.27	596,649
\$50,000-\$74,999	343,206	16.31	715,851
\$25,000-\$49,999	635,022	30.18	710,635
\$10,000-\$24,999	535,255	25.44	192,110
Under \$10,000	136,244	6.47	16,364
Total	2,104,391	100.00 %	\$4,167,387

2000			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability
\$100,000 and higher	249,751	11.88 %	\$2,079,398
\$75,000-\$99,999	186,436	8.86	586,145
\$50,000-\$74,999	335,542	15.95	720,951
\$25,000-\$49,999	623,894	29.66	729,468
\$10,000-\$24,999	552,841	26.29	206,352
Under \$10,000	154,889	7.36	19,193
Total	2,103,353	100.00 %	\$4,341,507

1999			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability
\$100,000 and higher	216,148	10.60 %	\$1,759,730
\$75,000-\$99,999	173,353	8.50	545,918
\$50,000-\$74,999	324,731	15.92	698,803
\$25,000-\$49,999	607,977	29.81	713,496
\$10,000-\$24,999	557,913	27.36	209,862
Under \$10,000	159,306	7.81	19,534
Total	2,039,428	100.00 %	\$3,947,343

1998			
Income Level	Number of Filers	Percentage of Total	Income Tax Liability
\$100,000 and higher	190,139	9.54 %	\$1,563,153
\$75,000-\$99,999	162,770	8.17	515,946
\$50,000-\$74,999	317,930	15.95	687,644
\$25,000-\$49,999	601,315	30.18	714,703
\$10,000-\$24,999	565,454	28.38	217,229
Under \$10,000	155,103	7.78	20,150
Total	1,992,711	100.00 %	\$3,718,825

Source: Revenue Administration Division, State Comptroller's Office

Sales and Use Tax Receipts by Principal Type of Business

Last Ten Fiscal Years

(Expressed in Thousands)

Year	Food and Beverage	Apparel	General Merchandise	Automotive	Furniture and Appliances	Building & Industrial Supplies	Utilities & Transportation	Hardware, Machinery & Equipment	Miscellaneous	Assessment Collections	Total Collections
2008.....	\$776,466	\$181,302	\$672,024	\$249,506	\$387,590	\$517,452	\$356,747	\$100,922	\$481,478	\$25,435	\$3,748,922
2007.....	689,279	167,918	612,937	234,898	380,999	504,516	316,600	91,628	432,831	16,233	3,447,839
2006.....	664,654	158,839	601,431	230,753	380,642	530,214	284,661	88,754	418,491	23,257	3,381,696
2005.....	624,292	151,837	568,018	221,341	360,580	475,135	254,860	84,498	390,889	22,226	3,153,676
2004.....	591,744	144,961	538,364	216,385	333,307	417,729	231,099	78,351	387,780	29,721	2,969,441
2003.....	555,108	133,363	504,099	202,927	314,144	359,468	218,537	70,427	362,003	17,165	2,737,241
2002.....	542,276	132,067	489,102	197,122	315,080	365,132	214,839	72,343	359,394	21,184	2,708,539
2001.....	519,182	131,930	483,137	193,744	342,499	348,702	228,701	73,417	330,213	17,534	2,669,059
2000.....	486,772	121,352	455,649	179,047	328,156	339,764	193,773	72,282	327,442	16,747	2,520,984
1999.....	464,543	113,629	422,185	145,572	305,184	309,121	163,207	66,603	312,845	12,909	2,315,798

Source: Revenue Administration Division, Comptroller's Office

STATE OF MARYLAND

Schedule of Ratio of Outstanding Debt by Type Last Seven Fiscal Years*

(Dollars Expressed in Thousands except Per Capita)

Fiscal Year	General Bonded Debt			Other Governmental Activities Debt				Debt Ratios, Governmental Activities			Business-Type Activities Debt		Total		Debt Ratios, Primary Government	
	General Obligation Bonds	Transportation Bonds	Capital Leases	Transportation Debt/Other Liabilities		Capital Leases with Component Units	Total Governmental Activities Debt	Percentage of Personal Income (1)	Per Capita (1)	Revenue Bonds	Capital Leases	Business-Type Activities Debt	Primary Government Debt	Percentage of Personal Income (1)	Per Capita (1)	
				Debt	Liabilities											
2008	\$5,493,830	\$1,268,815	\$515,134	\$373,319	\$265,767	\$7,916,865	3.02 %	\$1,409	\$5,041,339	\$ 648	\$5,041,987	\$12,958,852	4.94 %	\$2,307		
2007	5,142,154	1,111,050	535,482	391,029	278,265	7,457,980	3.03	1,331	4,140,383	1,124	4,141,507	11,599,487	4.70	2,071		
2006	4,868,472	1,079,340	519,592	404,320	293,140	7,164,864	3.08	1,286	2,882,855	1,256	2,884,111	10,048,975	4.31	1,803		
2005	4,511,826	1,071,620	440,236	409,587	304,220	6,737,489	3.06	1,217	2,825,315	1,673	2,826,988	9,564,477	4.34	1,727		
2004	4,102,278	1,188,090	345,028	400,813	303,901	6,340,110	3.08	1,154	2,935,711	3,132	2,938,843	9,278,953	4.51	1,689		
2003	3,932,493	964,400	262,792	264,099	296,672	5,720,456	2.88	1,053	3,220,797	2,371	3,223,168	8,943,624	4.50	1,646		
2002	3,544,178	717,980	220,649	119,460	290,510	4,892,777	2.57	909	3,412,923	3,243	3,416,166	8,308,943	4.37	1,543		

Source: General Accounting Division, State Comptroller's Office

(1) Population and personal income data can be found in the Schedule of Demographic Statistics.

*Information for fiscal years prior to fiscal year ended June 30, 2002, is not available.

STATE OF MARYLAND

Ratio of General Bonded Debt To Actual Value and General Bonded Debt Per Capita Last Ten Fiscal Years

Fiscal Year	(Expressed in Thousands)			Ratio of General Bonded Debt to Actual Property Value	General Bonded Debt per Capita
	Estimated Population (1)	Estimated Property Value	General Bonded Debt (2)		
2008.....	5,618	\$633,453,169	\$5,493,830	0.87%	\$978
2007.....	5,602	527,012,375	5,142,154	0.98	918
2006.....	5,573	452,249,831	4,868,472	1.08	874
2005.....	5,538	398,065,083	4,511,826	1.13	815
2004.....	5,494	361,689,307	4,102,278	1.13	747
2003.....	5,434	336,657,741	3,932,493	1.17	724
2002.....	5,383	318,778,365	3,544,178	1.11	658
2001.....	5,312	307,476,610	3,450,900	1.12	650
2000.....	5,255	327,817,193	3,348,866	1.02	637
1999.....	5,204	317,639,013	3,500,228	1.10	673

Source: The Fifty-fifth through Sixty-fourth Report of the State Department of Assessments and Taxation and the State Comptroller's Office.

(1) See Schedule of Demographic Statistics.

(2) Includes general obligation bonds. The primary revenue source to pay the debt service for general obligation bonds is property taxes.

STATE OF MARYLAND

Legal Debt Margin Information

Last Ten Fiscal Years

(Expressed in Thousands)

Legal Debt Margin Calculation for Fiscal Year 2008

Debt limit (1)	\$9,780,943
Debt applicable to limit:	
General obligation bonds	5,493,830
Transportation bonds	1,268,815
Nontraditional Transportation debt (2)	740,608
Less amounts set aside for repayment of:	
General obligation debt	62,391
Transportation debt	40,070
Total net debt applicable to limit	<u>7,400,792</u>
Legal debt margin	<u>\$2,380,151</u>

Year ended June 30,

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Debt limit	\$9,780,943	\$9,064,691	\$8,730,531	\$7,819,314	\$7,301,732	\$6,800,976	\$6,116,782	\$5,747,158	\$5,677,486	\$5,483,722
Total net debt applicable to limit	7,400,792	6,924,327	6,572,782	5,463,019	5,212,769	4,862,003	4,232,412	4,081,297	4,053,728	4,223,364
Legal debt margin	<u>\$2,380,151</u>	<u>\$2,140,364</u>	<u>\$2,157,749</u>	<u>\$2,356,295</u>	<u>\$2,088,963</u>	<u>\$1,938,973</u>	<u>\$1,884,370</u>	<u>\$1,665,861</u>	<u>\$1,623,758</u>	<u>\$1,260,358</u>

Total net debt applicable to the limit										
as a percentage of debt limit	75.67%	76.39%	75.29%	69.87%	71.39%	71.49%	69.19%	71.01%	71.40%	77.02%

Source: General Accounting Division, State Comptroller's Office

(1) For general obligation bonds, the debt limit is based on separate enabling acts for particular objects or purposes that are enacted during each legislative session.

There is no separately mandated maximum amount for the issuance of general obligation bonds. For transportation bonds, the General Assembly each year establishes a maximum aggregate outstanding amount that does not exceed \$1,500,000,000 up to June 30, 2004, does not exceed \$2,000,000,000 up to June 30, 2007, and does not exceed \$2,600,000,000 through June 30, 2008 and thereafter.

(2) The 2007 session of the General Assembly established a maximum outstanding principal amount of \$726,200,000 as of June 30, 2008, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond. This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department.

Schedule of Taxes Pledged to Consolidated Transportation Bonds and Net Revenues as Defined for Purposes of Consolidated Transportation Bonds Coverage Tests ⁽¹⁾ Last Ten Fiscal Years (Expressed in Thousands)

	Year ended June 30,									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues:										
Taxes and fees⁽²⁾:										
Taxes pledged to bonds.....	\$1,139,321	\$1,196,568	\$1,221,720	\$1,220,851	\$1,145,048	\$1,073,953	\$1,046,715	\$1,027,808	\$981,548	\$934,051
Other taxes and fees ^(3, 4)	404,082	410,614	391,618	381,516	112,305	88,833	238,303	219,426	220,672	214,483
Total taxes and fees	1,543,403	1,607,182	1,613,338	1,602,367	1,257,353	1,162,786	1,285,018	1,247,234	1,202,220	1,148,534
Operating revenues.....	395,003	369,241	340,742	328,273	339,635	299,844	297,489	303,206	311,909	267,946
Investment income.....	3,683	10,574	8,211	4,928	3,374	2,960	3,724	10,423	10,206	10,142
Other	4	39,836	87,640	75,902	90,943	79,023	25,950	24,619	19,361	15,486
Total revenues.....	1,942,093	2,026,833	2,049,931	2,011,470	1,691,305	1,544,613	1,612,181	1,585,482	1,543,696	1,442,108
Administration, operation and maintenance expenditures	1,488,310	1,396,872	1,302,582	1,237,446	1,177,889	1,159,176	1,044,908	979,318	913,059	868,439
Less: Federal funds	(79,228)	(72,598)	(70,828)	(79,892)	(76,503)	(76,841)	(50,396)	(29,418)	(24,723)	(20,472)
Total.....	1,409,082	1,324,274	1,231,754	1,157,554	1,101,386	1,082,335	994,512	949,900	888,336	847,967
Net revenues.....	\$ 533,011	\$ 702,559	\$ 818,177	\$ 853,916	\$ 589,919	\$ 462,278	\$ 617,669	\$ 635,582	\$ 655,360	\$ 594,141
Maximum annual principal and interest requirements	\$ 153,661	\$ 129,550	\$ 121,412	\$ 141,172	\$ 169,655	\$ 153,965	\$ 138,183	\$ 127,060	\$ 127,060	\$ 133,267
Ratio of net revenues to maximum annual principal and interest requirements.....	3.47	5.42	6.74	6.04	3.48	3.00	4.47	5.00	5.16	4.46
Ratio of taxes pledged to bonds to maximum annual principal and interest requirements...	7.41	9.24	10.06	8.65	6.75	6.98	7.57	8.09	7.73	7.01

Source: The Secretary's Office of the Department of Transportation.

(1) Under the terms of the bond authorizing resolutions, additional Consolidation Transportation Bonds (Bonds) may be issued, provided, among other conditions, that

(i) total receipts, less administration, operation and maintenance expenditures for the preceding fiscal year equal at least two times maximum annual debt service on all Bonds outstanding and to be issued and that (ii) total proceeds from pledged taxes equal at least two times maximum annual debt service on all Bonds outstanding and to be issued.

(2) Bonds are payable from certain taxes, principally, motor vehicle excise taxes, motor fuel taxes, and a portion of the corporate income tax. These amounts are available to the extent necessary for that exclusive purpose. Other receipts of the Department are available if necessary.

(3) In fiscal years 2003 and 2004, \$160,000,000 and \$154,913,000, respectively, of other taxes and fees were transferred to the General Fund per legislation.

(4) The 2004 Session of the Maryland General Assembly approved legislation increasing Vehicle Registration Fees.

STATE OF MARYLAND

**Ratio of Pledged Assets to
Revenue Bonds, Community Development Administration
Last Ten Fiscal Years**

(Expressed in Thousands)

Fiscal Year	Pledged Assets (1)	Revenue Bonds Payable	Ratio of Pledged Assets to Revenue Bonds
2008	\$3,489,271	\$2,971,219	1.17
2007	3,497,373	3,016,848	1.16
2006	2,476,342	2,040,485	1.21
2005	2,439,264	1,973,583	1.24
2004	2,643,756	2,211,905	1.20
2003	3,003,939	2,537,388	1.18
2002	3,030,657	2,628,254	1.15
2001	3,004,743	2,640,052	1.14
2000	2,917,980	2,606,943	1.12
1999	2,759,753	2,462,918	1.12

(1) Bonds and notes issued by the Community Development Administration (CDA) are special obligations of CDA and are payable solely from the revenues of the applicable mortgage loan programs. Assets, principally mortgage loans, and program revenues are pledged as collateral for the revenue bonds.

STATE OF MARYLAND

Schedule of Demographic Statistics

Last Ten Years

	Population (1)	Total Personal Income (2) (Expressed in Thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2008.....	5,618,344	\$262,071,799	\$46,646	1,024,803	3.7%
2007.....	5,602,017	246,542,244	44,010	1,036,523	3.9
2006.....	5,573,163	232,930,967	41,795	1,050,627	3.8
2005.....	5,537,662	220,126,790	39,751	1,053,378	4.2
2004.....	5,494,136	205,737,071	37,447	1,056,520	4.3
2003.....	5,433,822	198,823,602	36,590	1,056,944	4.7
2002.....	5,383,377	190,331,297	35,355	1,049,733	4.6
2001.....	5,311,531	181,957,207	34,257	1,040,020	3.8
2000.....	5,254,509	167,074,691	31,796	1,017,574	3.3
1999.....	5,204,464	157,783,778	30,317	1,009,870	4.0

Sources:

- (1) US Department of Commerce, Bureau of Census, "Annual Population Estimates by State"
Note: Figures are estimates for the calendar year except that the current year amount is a projected estimate for the year.
- (2) US Department of Commerce, Bureau of Economic Analysis. All ten years of income data based on April 2004
Comprehensive revision of State Personal Income Statistics for 1969-2002.
Preliminary estimates are provided for 2003-2008. Data provided is for the prior ending calendar year.
- (3) Figures are for the calendar year. State Department of Education, grades pre-kindergarten thru grade 12.
Includes public and nonpublic schools.
- (4) Figures are for the fiscal year. State Department of Labor, Licensing and Regulation.

STATE OF MARYLAND

Schedule of Employment by Sector

Prior Year and Nine Years Prior⁽³⁾

(Expressed in Thousands)

	Calendar Year 2007 (1)			Calendar Year 1998 (2)		
	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker
Government:						
State and local	336,513	\$ 15,847,375	\$ 906	292,600	\$ 9,619,192	\$ 632
Federal	124,843	10,218,876	1,574	126,685	6,624,365	1,006
Total government	461,356	26,066,251	1,087	419,285	16,243,557	745
Manufacturing	131,699	7,939,947	1,159	178,050	7,424,297	802
Natural resources and mining.....	6,556	227,297	667			
Construction.....	187,878	9,507,590	973	142,401	4,900,484	662
Trade, transportation, and utilities	472,365	18,149,175	739	103,851	4,172,877	773
Wholesale.....				110,779	4,864,113	844
Retail.....				430,545	7,731,124	345
Information services	50,646	3,278,342	1,245			
Financial activities	154,556	10,776,967	1,341	134,398	6,106,523	874
Professional and business services	396,733	24,014,991	1,164	737,196	23,862,164	622
Education and health services.....	359,053	15,637,535	838			
Leisure and hospitality.....	234,278	4,344,384	357			
Unclassified and other services.....	92,030	2,914,507	609	29,727	783,364	507
Total of all sectors.....	2,547,150	\$122,856,986	\$ 928	2,286,232	\$76,088,503	\$ 640

- (1) **Source:** Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information Publication "Employment and Payroll 2007 Annual Averages" issued July, 2008. This report reflects the new North American Industry Classification System (NAICS) coding revisions.
- (2) **Source:** Maryland Department of Economic and Employment Development, Office of Labor Market Analysis and Information, December 31, 1998.
- (3) Some of the data is not comparative due to the reclassifications made during the term of the two periods.

Maryland's Ten Largest Private Employers*

Calendar Years

Employer (listed Alphabetically)

2008

2007

Giant of Maryland LLC
 Helix Health System Inc.
 Home Depot USA Inc.
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Corporation
 Safeway Inc.
 University of Maryland Medical Sys
 United Parcel Service
 Wal-Mart

Giant of Maryland LLC
 Helix Health System Inc.
 Home Depot USA Inc.
 Johns Hopkins Hospital
 Johns Hopkins University
 Macy's
 Northrop Grumman Corporation
 Safeway Inc.
 United Parcel Service
 Wal-Mart

2006 and 2005

2004 and 2003

Giant of Maryland LLC
 Helix Health System Inc.
 Home Depot USA Inc.
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Corporation
 Safeway Inc.
 Target
 United Parcel Service
 Wal-Mart

Giant of Maryland LLC
 Helix Health System Inc.
 Home Depot USA Inc.
 Johns Hopkins Hospital
 Johns Hopkins University
 Northrop Grumman Corporation
 Safeway Inc.
 United Parcel Service
 Verizon Maryland Inc.
 Wal-Mart

Source: Department of Labor, Licensing and Regulation; Office of Labor Market Analysis and Information.

* Information for prior years not available.

STATE OF MARYLAND

State Employees by Function/Program

Last Five Fiscal Years*

	Year ended June 30,				
	2008	2007	2006	2005	2004
State Employees:					
Governmental activities:					
General government	5,770	5,712	5,656	5,493	5,604
Health and mental hygiene.....	11,441	11,661	11,668	11,633	11,815
Education.....	2,445	2,504	2,425	2,295	2,180
Human resources.....	6,605	6,713	6,767	6,910	6,852
Public safety	15,791	15,603	15,307	15,207	15,356
Transportation.....	6,572	6,518	6,523	6,599	6,799
Judicial	5,982	5,851	5,744	5,496	5,387
Labor, licensing and regulation.....	1,644	1,682	1,647	1,667	1,691
Natural resources and recreation.....	2,070	2,008	1,970	2,028	2,076
Housing and community development.....	209	228	256	262	254
Environment	913	926	922	901	907
Agriculture	511	481	499	500	516
Business and economic development.....	275	295	340	307	303
Total governmental activities employees.....	60,228	60,182	59,724	59,298	59,740
Business-type activities:					
Economic development - insurance programs..	208	201	210	201	205
Maryland State Lottery.....	183	185	183	169	177
Maryland Transportation Authority.....	1,652	1,594	1,502	1,503	1,562
Maryland Correctional Enterprises.....	201	184	187	164	159
Total business-type activities employees	2,244	2,164	2,082	2,037	2,103
Total primary government employees	62,472	62,346	61,806	61,335	61,843
Component units:					
Higher Education.....	37,988	36,132	34,882	39,388	34,397
Prepaid College Trust**	16	16			
Stadium Authority.....	108	120	98	93	97
Other component units.....	24	27	42	59	41
Total component unit employees.....	38,136	36,295	35,022	39,540	34,535

Source: Central Payroll Bureau, State Comptroller's Office

*Information for prior years not available.

** Information for prior years was included in the total for "Other Component Units".

STATE OF MARYLAND

Schedule of Miscellaneous, Operating and Capital Asset Statistics by Function Last Five Fiscal Years*

Date of Ratification	1788				
Form of Government	Legislative - Executive - Judicial				
Land Area.....	9,808 square miles				
Function/Program	2008**	2007	2006	2005	2004
Education, Public School Enrollment.....	823,732	827,596	829,007	828,961	821,984
Health and Human Resources:					
Medicaid Enrollment	526,331	520,436	629,500	638,085	502,860
Children's Health Program Enrollment.....	106,053	105,999	103,260	95,019	98,420
WIC Food Program Recipients	131,250	121,471	113,100	108,574	106,060
Mental Hygiene Clients.....	94,410	93,933	92,715	92,608	90,849
Public Assistance Caseload (AFDC/TANF).....	99,239	50,149	57,589	65,782	70,745
Foster Care and Subsidized Adoption Average Caseload.....	14,082	13,806	13,956	14,762	15,028
Public Safety:					
Correctional Institutions Average Daily Population	21,853	21,680	26,475	26,938	27,933
Parole and Probation, Active Cases under Supervision..	54,000	52,147	49,244	50,112	50,127
Youth Residential Programs, Average Daily Population...	1,560	1,646	1,728	1,747	2,039
Number of Youths on Probation.....	6,025	6,247	6,568	6,765	6,840
Public Safety (State Police):					
Number of Police Stations.....	26	26	26	26	26
Number of State Police.....	1,590	1,591	1,591	1,593	1,596
Motor Vehicle Citations (calendar year).....	462,205	457,629	462,252	482,219	459,272
Motor Vehicle - Number of Collisions (calendar year) ...	101,000	101,030	101,785	102,546	101,858
Judicial, Total Filings.....	N/A	2,383,668	2,410,038	2,422,466	2,418,359
Transportation:					
Miles of State Highways	5,242	5,241	5,235	5,234	5,235
Lane Miles Maintained.....	16,863	16,787	16,731	16,717	16,680
Expenditures per Lane Mile	\$7,812	\$8,990	\$7,812	\$7,957	\$8,039
Number of Bridges***	1,176	1,155	1,155	1,155	1,157
Motor Vehicle Registrations	5.2 million	5.0 million	5.2 million	5.0 million	4.9 million
BWI Airport Passengers (calendar year)	21.0 million	20.8 million	19.7 million	19.1 million	20.5 million
Acres Agricultural Land Preserved - all programs	530,000	482,236	459,871	430,000	N/A
Department of Housing and Community Development:					
Active Single Family/Multifamily Bond Financed Loans	15,800	14,250	12,213	13,769	15,986
Department of Business and Economic Development:					
Number of businesses assisted	1,517	1,600	1,600	1,146	1,094
Number of workers trained	6,000	7,417	12,425	9,694	9,101
Higher Education (Universities, Colleges and Community Colleges):					
Number of Campuses in State.....	29	29	29	29	29
Number of Educators.....	9,224	9,021	8,711	8,606	8,432
Number of Students	263,636	255,969	256,580	251,984	246,794
Number of State Scholarships Awarded	60,968	56,495	52,576	47,025	44,851
Recreation:					
Number of State Parks and Forests	61	58	60	60	61
State Parks Daily Visitors.....	11.2 million	11.3 million	11.1 million	11.5 million	9.9 million
Area of State Parks, Acres.....	93,972	93,683	93,661	93,661	97,362
Area of State Forests, Acres.....	140,344	138,587	136,093	136,093	135,951

*Information for prior years not available.

** These amounts are estimates.

***On Maryland's portion of the National Highway System

Sources: State Comptroller's Office, General Accounting Division, Central Payroll Bureau, Maryland Manual at www.mdarchives.state.md.us/msa/mdmanual, Maryland Budget, Department of Budget and Management, Department of Natural Resources, and the State Highway Administration of Maryland.



STATE OF MARYLAND
Comprehensive Annual Financial Report

FINANCIAL SCHEDULES
REQUIRED BY LAW

Schedule of Estimated and Actual Revenues By Source, Budgetary Basis, for the Year Ended June 30, 2008

(Expressed in Thousands)

	Annual Budgeted Funds												Capital Projects Fund	Total Actual Revenues		
	General Fund				Special Fund		Federal Fund		Higher Education Funds		Current	Restricted Fund				
	Estimated		Actual		Estimated		Actual		Estimated						Actual	
	Revenues	Revenues	Revenues	Revenues	Revenues	Revenues	Revenues	Revenues	Revenues	Revenues					Revenues	Revenues
Taxes:																
Property tax.....		\$	340	\$	722,260	\$	610,894							\$172,901	\$	784,135
Franchise and corporation tax.....	\$	134,278		133,528												133,528
Death taxes.....	220,487		243,541													243,541
Admission and amusement tax.....	2,500		2,874		57		2,269									5,143
Alcoholic beverages tax.....	29,553		28,966													28,966
Motor vehicle fuel taxes.....	13,350		13,199		750,554		741,851									755,050
Income taxes.....	7,545,165		7,491,807		171,429		184,997									7,676,804
Sales and use taxes.....	3,691,717		3,675,263		28,796		73,670									3,748,933
Tobacco taxes.....	393,262		376,112		84		25,476									401,588
Motor vehicle titling taxes.....					714,000		649,657									649,657
Insurance company taxes.....			301,831		69,332		112,402									414,233
Horse racing taxes.....	289,647						1,806									1,806
Shellfish taxes.....					180		102									102
Boxing, wrestling or sparring taxes....			397													397
Energy generation tax.....					59,442		46,373									46,373
Emergency telephone system tax					66,579		63,507									63,507
Total taxes.....	12,319,959		12,267,858		2,582,713		2,513,004								172,901	14,953,763
Other:																
Licenses and permits.....	37,122		38,367		517,981		551,820									590,187
Fees for services.....	153,318		142,502		688,893		696,401									838,903
Fines and costs.....	168,161		166,947		315,420		230,424									397,371
Sales to the public.....	23,647		12,304		74,485		79,860									92,164
Commissions and royalties.....	201		10		98,865		67,908									67,918
Rentals.....	15		976		97,135		92,974									93,950
Interest on investments.....	122,585		234,289		61,318		56,323		\$	1,175					568	292,355
Interest on loan repayments.....					7,040		2,366									2,366
Miscellaneous.....	95,725		87,048		8,797		189,309									276,357
Colleges and universities.....																4,267,522
Federal reimbursements and grants....					3,704		8,293		\$3,317,252	\$3,276,111		\$1,037,947		\$991,411		6,337,499
Other reimbursements.....	131,568		145,453		515,439		258,652									404,105
Bond issues:																
State - general purpose.....																
Consolidated transportation bonds..																
Premiums.....					285,000		226,755								779,966	779,966
State reimbursements.....							50,570								14,867	226,755
Appropriated from general fund	498,987		740,991		442,810		375,019									65,437
Trust funds.....																1,116,010
Revolving accounts.....															18,932	18,932
	6,500		7,747		16,832		15,576									15,576
					33,111		24,731									32,478
Total revenues.....	\$13,557,788		\$13,844,492		\$5,749,543		\$5,439,985		\$6,829,997	\$6,330,381		\$3,317,252	\$3,276,111	\$1,037,947	\$991,411	\$30,869,614

STATE OF MARYLAND

Schedule of Budget and Actual Expenditures and Encumbrances by Major Function, Budgetary Basis, For the Year Ended June 30, 2008

(Expressed in Thousands)

Expenditures and Encumbrances by Major Function*	Annual Budgeted Funds									
	General Fund		Special Fund		Federal Fund		Current		Higher Education Funds	
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Unrestricted Fund Final Budget	Restricted Fund Final Budget	Current Fund Actual	Capital Projects Fund Actual
Payments of revenue to civil divisions of the State.....	\$ 149,512	\$ 149,218								\$ 149,218
Public debt.....	29,349	29,349	\$ 663,346	\$ 663,189						692,538
Legislative.....	72,258	70,838	300	228						71,066
Judicial review and legal.....	457,197	453,810	85,280	77,782	\$ 5,962	\$ 5,101				536,693
Executive and administrative control.....	195,834	193,466	269,516	195,996	121,132	109,988				499,450
Financial and revenue administration.....	185,550	180,191	85,772	81,351						261,542
Budget and management.....	31,546	28,611	33,097	16,478						45,089
Retirement and pension.....			23,781	23,159						23,159
General services.....	58,062	58,062	1,794	1,200	918	918				60,180
Transportation and highways.....			3,011,544	2,878,249	804,845	746,447				3,624,696
Natural resources and recreation.....	76,856	76,476	316,466	302,808	34,221	27,877				407,161
Agriculture.....	34,392	33,710	97,199	91,039	9,628	7,365				132,114
Health, hospitals and mental hygiene.....	3,671,920	3,651,019	486,711	464,127	3,275,886	3,231,616				7,346,762
Human resources.....	575,743	575,743	102,271	99,642	1,152,268	1,093,086				1,768,471
Labor, licensing and regulation.....	15,880	15,440	40,965	39,373	112,044	110,702				165,515
Public safety and correctional services.....	1,034,831	1,034,830	165,031	157,137	15,023	14,033				1,206,000
Public education.....	7,014,660	7,007,355	54,867	52,002	994,992	926,418	\$3,317,252	\$3,193,741	\$1,037,947	\$12,167,738
Housing and community development.....	13,701	13,688	64,857	63,004	211,304	209,248				285,940
Business and economic development.....	95,708	95,670	56,348	45,693	4,644	4,458				145,821
Environment.....	44,527	44,471	121,452	111,001	64,828	61,612				217,084
Juvenile services.....	267,188	266,734	474	424	14,737	9,449				276,607
State police.....	247,375	246,745	68,472	64,405	7,565	3,025				314,175
State reserve fund.....	262,795	262,795							\$1,039,012	262,795
Loan accounts.....										1,039,012
Reversions:										
Current year reversions.....	(30,000)									
Prior year reversions.....		(49,268)		(19,936)		(100,429)			(107)	(170,906)
Total expenditures and encumbrances.....										
	\$14,504,884	\$14,438,953	\$5,749,543	\$5,408,351	\$6,829,997	\$6,460,914	\$3,317,252	\$3,192,575	\$1,037,947	\$988,115
										\$1,039,012
										\$31,527,920

* Appropriation and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General and Special" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

Schedule of Changes in Fund Equities - Budgetary Basis For the Year Ended June 30, 2008

(Expressed in Thousands)

	General Fund		Special Fund		Federal Fund	Higher Education		Capital Projects Fund	Total
	General	State Reserve	Special	Debt Service		Unrestricted Fund	Current Restricted Fund		
Fund equities, June 30, 2007.....	\$ 491,096	\$ 1,589,756	\$ 1,651,615	\$ 59,788	\$ 6,330,381	\$ 534,941	\$ 904	\$ 286,222	\$ 4,614,322
Increase:									
Revenues.....	13,534,517	309,975	4,786,143	653,841	\$ 6,330,381	3,276,111	991,411	987,234	30,869,613
Decrease:									
Appropriations.....	14,534,884		5,086,198	663,345	6,829,997	3,237,979	1,037,947		
Less: Current year reversions.....	(46,663)		(321,100)	(156)	(268,654)	(44,238)	(49,725)		
Prior year reversions.....	(49,268)		(19,936)		(100,429)	(1,166)	(107)		
Expenditures and encumbrances*	14,438,953	-	4,745,162	663,189	6,460,914	3,192,575	988,115	1,039,012	31,527,920
Changes to encumbrances during fiscal year 2008....	26,735		(13,311)		26,223	541	35		40,223
Expenditures	14,465,688	-	4,731,851	663,189	6,487,137	3,193,116	988,150	1,039,012	31,568,143
Transfers in (out).....	1,106,837	(1,179,433)	16,781	8,125	156,756	(935)	(855)	(11,620)	95,656
Fund equities, June 30, 2008.....	\$ 666,762	\$ 720,298	\$ 1,722,688	\$ 58,565	\$ -	\$ 617,001	\$ 3,310	\$ 222,824	\$ 4,011,448
Fund Balance:									
Reserved:									
Encumbrances	\$ 179,650		\$ 545,879		\$ 222,210	\$ 1,817	\$ 88	\$ 482,601	\$ 1,432,245
State reserve fund.....		\$ 720,298							720,298
Loans and notes receivable.....			3,760	\$ 4,714					8,474
Shore erosion loan program			5,654						5,654
Gain/Loss on Investments.....			392						392
Unreserved:									
Designated for:									
General long-term debt service.....				53,851					53,851
2009 operations.....	301,363								301,363
Undesignated surplus (deficit).....	185,749		1,167,003		(222,210)	615,184	3,222	(259,777)	1,489,171
Total	\$ 666,762	\$ 720,298	\$ 1,722,688	\$ 58,565	\$ -	\$ 617,001	\$ 3,310	\$ 222,824	\$ 4,011,448

*Appropriation and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND

Schedule of Funds Transferred to Political Subdivisions For the Year Ended June 30, 2008 ⁽¹⁾

(Expressed in Thousands)

Subdivision (2)	State Sources			Other Sources			Assessed Value of Real and Personal Property (2)	Amount Per \$100 of Assessed Value
	Shared Revenues	Direct Grants and Appropriations	Debt Service	State Administered		Total		
				Federal Funds	Local Revenue			
Allegany	\$ 7,127	\$ 124,863	\$ 1,309	\$ 17,740	\$ 27,273	\$ 178,312	\$ 3,084,724	\$5.78
Anne Arundel.....	31,043	427,040	13,095	48,435	405,274	924,887	71,787,490	1.29
Baltimore County	41,722	749,238	68,959	83,889	651,338	1,595,146	72,129,480	2.21
Calvert	6,286	115,009	10,096	8,339	71,433	211,163	11,667,003	1.81
Caroline	4,925	56,200	2,052	8,159	14,170	85,506	2,466,400	3.47
Carroll.....	13,935	192,338	6,710	14,109	118,793	345,885	17,935,278	1.93
Cecil.....	7,644	134,033	2,631	13,884	57,212	215,404	9,206,087	2.34
Charles.....	9,886	202,497	29,445	17,029	83,073	341,930	16,016,997	2.13
Dorchester.....	5,460	46,853	8,008	9,570	14,389	84,280	2,827,830	2.98
Frederick	18,295	263,905	12,003	21,122	162,554	477,879	26,577,953	1.80
Garrett	6,168	44,072	7,969	8,365	14,572	81,146	3,865,703	2.10
Harford	16,137	289,724	21,758	24,519	181,041	533,179	22,974,307	2.32
Howard.....	15,508	275,492	22,421	17,613	336,634	667,668	42,056,223	1.59
Kent.....	2,768	18,550	350	4,674	13,843	40,185	2,535,994	1.58
Montgomery	43,478	686,343	54,349	84,218	1,292,377	2,160,765	184,252,315	1.17
Prince George's.....	37,015	1,184,943	67,617	136,180	414,358	1,840,113	74,432,899	2.47
Queen Anne's.....	5,686	48,878	12,342	5,631	39,272	111,809	7,359,731	1.52
St. Mary's	7,585	120,944	8,504	14,121	70,638	221,792	9,796,841	2.26
Somerset.....	3,280	40,825	3,218	10,005	8,146	65,474	1,398,223	4.68
Talbot.....	4,500	21,999	2,484	5,335	36,202	70,520	7,929,251	0.89
Washington	11,778	192,735	22,817	25,251	74,995	327,576	11,941,203	2.74
Wicomico	8,995	145,183	3,226	21,406	50,330	229,140	6,296,033	3.64
Worcester	6,754	36,523	8,922	10,807	21,189	84,195	17,324,212	0.49
Baltimore City.....	212,308	1,356,568	47,362	317,020	320,166	2,253,424	29,032,305	7.76
Total.....	\$528,283	\$6,774,755	\$437,647	\$927,421	\$4,479,272	\$13,147,378	\$654,894,482	

(1) In addition to the amounts shown for counties and Baltimore City, \$140,593,000 was distributed to municipalities within the counties.

(2) Source: Sixty-fourth Report of the Department of Assessments and Taxation, dated January 2008. Assessed value of property is 100%.

STATE OF MARYLAND

**Schedule of Taxes Receivable from
Collectors of State Property Taxes**

June 30, 2008

(Expressed in Thousands)

Political Subdivision	Taxes Receivable		
	Current Year	Prior Years	Total
Allegany	\$ 261	\$ 92	\$ 353
Anne Arundel.....	840	77	917
Baltimore County	405	(283)	122
Calvert	256	341	597
Caroline	26	1	27
Carroll.....	151	7	158
Cecil.....	78	493	571
Charles	44	(4)	40
Dorchester.....	74	(103)	(29)
Frederick	154	12	166
Garrett	325	2	327
Harford	175	9	184
Howard	(34)	1,000	966
Kent	145	4	149
Montgomery	375	(290)	85
Prince George's.....	316	90	406
Queen Anne's.....	11	1	12
St. Mary's	234	4	238
Somerset.....	151	29	180
Talbot.....	6	(2)	4
Washington	755	134	889
Wicomico	95	45	140
Worcester	562	7	569
Baltimore City.....	2,100	6,158	8,258
Total.....	\$7,505	\$7,824	\$15,329

STATE OF MARYLAND

Schedule of Estimated Revenues - Budgetary Basis

For the Year Ending June 30, 2009

(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Income taxes	\$ 8,117,578	\$ 225,093				\$ 8,342,671
Retail sales and use tax and licenses	4,034,130	292,406				4,326,536
Motor vehicle fuel taxes and licenses.....	25,000	767,805				792,805
Motor vehicle tax and licenses		1,146,756				1,146,756
Property taxes		809,408 (1)				809,408
Insurance company taxes, licenses and fees.....	295,799					295,799
Franchise and corporation taxes.....	218,545					218,545
State tobacco tax and licenses	450,980					450,980
Alcoholic beverages taxes and licenses.....	31,290					31,290
Death taxes.....	213,029					213,029
Miscellaneous taxes, fees and other revenues	186,966	50,438 (2)				237,404
Budgeted tobacco settlement recoveries ..		174,204				174,204
Horse racing taxes and licenses	260	4,087				4,347
District courts fines and costs	101,096					101,096
Interest on investments.....	97,100	5,000				102,100
Hospital patient recoveries.....	75,313					75,313
Legislative	230	100				330
Judicial review and legal	70,164	90,552	\$ 6,275			166,991
Executive and administrative control.....	5,261	243,966	116,039			365,266
Financial and revenue administration	5,750	23,854				29,604
Budget and management	844	28,054				28,898
State lottery agency	511,269	59,760				571,029
Information technology development.....		37,482				37,482
Retirement and pension		30,685				30,685
General services	100	1,204	960			2,264
Transportation and highways.....		920,712	684,023			1,604,735
Natural resources and recreation.....	145	92,609	27,910			120,664
Agriculture	74	34,933	16,525			51,532
Health, hospitals and mental hygiene	24,836	394,407	3,526,134			3,945,377
Human resources.....	930	68,361	1,111,108			1,180,399
Labor, licensing and regulation.....	7,387	36,461	117,322			161,170
Public safety and correctional services.....	8,116	158,831	13,347			180,294
Public education.....	34,607	46,144	937,883	\$3,360,072	\$1,036,780	5,415,486
Housing and community development...	1,082	60,894	226,658			288,634
Business and economic development.....		57,733	4,681			62,414
Environment.....	728	160,462	65,011			226,201
Juvenile justice	15	203	11,689			11,907
State police.....	2,400	69,620	3,069			75,089
Total estimated revenues (3)	\$14,521,024	\$6,092,224	\$6,868,634	\$3,360,072	\$1,036,780	\$31,878,734

(1) Includes \$ 695,066 recorded in the Debt Service Fund for accounting purposes.

(2) Includes \$ 50,438 recorded in the Debt Service Fund for accounting purposes.

(3) Amounts are reported as of July 1, 2008, and do not reflect revisions, if any, subsequent to that date.

STATE OF MARYLAND

Schedule of General, Special, Federal, Current Unrestricted and Current Restricted Fund Appropriations - Budgetary Basis For the Year Ending June 30, 2009

(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Payments of revenue to civil divisions of the State	\$ 120,760					\$ 120,760
Public debt.....		\$ 745,505(1)				745,505
Legislative	75,556	100				75,656
Judicial review and legal	483,166	91,008	\$ 6,275			580,449
Executive and administrative control.....	263,098	246,966	116,039			626,103
Financial and revenue administration	194,404	83,614				278,018
Budget and management.....	116,196	90,535				206,731
Retirement and pension		30,685				30,685
General services.....	58,697	1,204	960			60,861
Transportation and highways.....		3,293,957	684,023			3,977,980
Natural resources and recreation.....	63,717	185,316	27,910			276,943
Agriculture	34,572	63,577	16,525			114,674
Health, hospitals and mental hygiene	3,852,272	555,935	3,526,134			7,934,341
Human resources.....	601,918	68,361	1,111,108			1,781,387
Labor, licensing and regulation.....	14,550	39,077	117,322			170,949
Public safety and correctional services.....	1,100,179	158,831	13,347			1,272,357
Public education.....	7,266,879	88,641	937,883	\$3,360,072	\$1,036,780	12,690,255
Housing and community development...	11,844	60,894	226,658			299,396
Business and economic development.....	93,767	57,733	4,681			156,181
Environment.....	48,478	160,462	65,011			273,951
Juvenile justice	260,168	203	11,689			272,060
State police.....	187,794	69,620	3,069			260,483
State reserve fund	231,543					231,543
Total appropriations (2).....	\$15,079,558	\$6,092,224	\$6,868,634	\$3,360,072	\$1,036,780	\$32,437,268

(1) Recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported as of July 1, 2008, and do not reflect revisions, if any, subsequent to that date.

COMPTROLLER OF MARYLAND

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